



**UNION COUNTY
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2006**

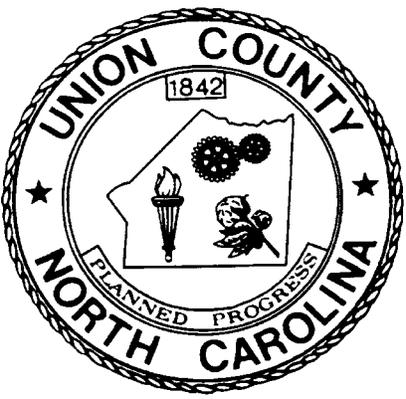


Union County, North Carolina

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2006

Prepared by
Finance Department
Kai D. Nelson
Finance Director



Union County, North Carolina
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Introductory Section





UNION COUNTY FINANCE DEPARTMENT

500 NORTH MAIN STREET, SUITE 901, MONROE, NORTH CAROLINA 28112
PHONE: (704) 283-3813 FAX: (704) 225-0664

October 26, 2006

The Board of County Commissioners
Mike Shalati, County Manager
Citizens of Union County, North Carolina

Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to those requirements, I hereby issue the annual financial report of Union County for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of Union County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management, to provide a reasonable basis for making these representations, has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the County's internal control structure has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Cherry, Bekaert & Holland, L.L.P., a firm of licensed certified public accountants. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. This opinion can be found at the beginning of the financial section of this document. In addition to the independent audit of the financial statements, the County is required to undergo an annual "Single Audit" designed to meet the special needs of federal and state grantor agencies. Information regarding this audit is submitted as a separate report, which includes the schedules of financial assistance and findings and questioned costs and the independent auditors' report on internal control and compliance.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of independent auditors.

COUNTY PROFILE

Union County was established in 1842 and is located in the south-central portion of North Carolina adjacent to Charlotte/Mecklenburg County and bordering South Carolina.

The County operates under a Commission-Manager form of government. The governing body of the County is the Board of County Commissioners, which formulates policies for the administration of the County. In addition, the Board annually adopts a balanced budget and establishes a tax rate for the support of the County's programs. The Board consists of five commissioners, elected on a staggered basis for terms of four years. The County Manager is appointed by, and serves at the pleasure of the Board as the County's Chief Executive Officer. The Manager has appointive and removal authority over department heads and other employees of the County. The County Manager is responsible for the daily operations of the County Government. In addition, the Manager's responsibilities include implementation of policies established by the Board of Commissioners, as well as the administration of the annual budget adopted by the Board.

The County provides a wide range of services including public safety, human services (Social Services, Health, Aging and Transportation), funds for education, cultural and recreational activities, and general administration functions. Additionally, the County owns and operates water, sewer and solid waste systems and a stormwater program. This annual financial report includes all funds of the County including all activities considered to be part of (controlled by or dependent on) the County.

The budget serves as the foundation for Union County's financial planning and control. As required by the North Carolina Budget and Fiscal Control Act, the County adopts an annual budget for all governmental and proprietary operating funds except those authorized by project ordinance that are multi-year in nature. Appropriations to the various funds are formally budgeted on a departmental basis for the general and special revenue funds and at the fund level for the enterprise (proprietary operating) and capital project (multi-year) funds. The County Manager is authorized to approve appropriation transfers within and between all departments within a fund. The Board must approve budget adjustments that alter the total appropriation of any fund. However, for expenditure control purposes the budget is monitored and controlled on a departmental and line-item level.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local economy. Union County forms a part of the seven county Charlotte-Gastonia-Rock Hill, NC-SC MSA – a region with a reputation as a business leader. The region's economic performance has been characterized by a shift to the finance/insurance/real estate and professional services sectors with relatively low unemployment rates when compared to those of the State, region and nation. Light manufacturing centers in the region are moving to the Route 74 (a U.S. highway that traverses the region in an east/west direction) corridor.

Contributing to the County's growth is its proximity to the City of Charlotte and Mecklenburg County, which contain the largest population in the State and comprise the major urban center of North Carolina's piedmont crescent. The recent completion of Interstate 485 from Interstate 85 southwest of Charlotte in the proximity of Charlotte Douglas International Airport to Interstate 77 and Interstate 85 northeast of Charlotte has also contributed to Union County's position as the State's fastest growing county.

New home construction continues on a record pace in the MSA, as well as Union County. A majority of the population growth and new residents have moved into the western part of the County resulting in increased buying power, a growing labor force, changing land use patterns, and challenges on the existing infrastructure. New home prices in the County continue to exceed those of the Charlotte/Mecklenburg area. The County's median household income is the second highest in the State.

Long-term financial planning. Union County's population grew by 47% from 1990-2000, reaching 123,677 in 2000. From 2000 to 2005, the population increased by 30% to 161,332. The North Carolina State Demographics Unit expects the County's population to grow another 19% or 30,102 between 2006-2010, reaching 191,434 by the year 2010. Public school enrollment, currently at 31,580, is projected to increase to 40,382, or 28% by 2010. The County's utility system has been adding an

average of approximately 2,900 new water connections over the past several years and added over 3,700 new water connections in fiscal year 2006. Residential building permits and new construction values reached record high levels in fiscal year 2005 and again in fiscal year 2006.

This population growth has, and will continue, to have significant impact on the County's infrastructure.

The County's voters passed school bond referendums in 1998, 2000, 2002 and 2004 aggregating \$327.2 million. At June 30, 2006, the County's remaining authorization from these four referendums totaled \$97.2 million. The school system anticipates using the balance of the bond proceeds and additional authorizations totaling \$406.9 million to construct eight elementary schools, three middle schools and three high schools by the 2010-2011 academic year. Utility system improvements to accommodate the County's residential growth are also required including expansion of the County's water and wastewater treatment facilities along with its major outfalls, force mains, distribution and collection systems. These costs are estimated at \$181.5 million through 2011 and are expected to be funded through the issuance of \$78.5 million in debt with the balance from operations. Finally, the County anticipates completing needed improvements to its animal shelter, parks and recreational facilities, agricultural services center, library and jail detention facility.

These capital improvements, along with increased operating costs, will have a significant impact on the County's budget and will require prudent planning and the development of long-term financing plans to moderate the impact of these improvements on our citizens.

Cash and investment management policies and practices. The investment policy of the County is guided in a large part by State statute. The County believes strongly in making the best possible use of idle cash resources and as a result, investments have been made in securities that insure that ample funds are available as needed to meet disbursement requirements as well as to take advantage of market fluctuations. The approach allows the County to maximize financial return with the parameters of acceptable risk. For the fiscal year ended June 30, 2006, the County earned an equivalent of 1.7 cents on its ad valorem tax rate in investment earnings.

Debt administration. The County's general obligation bond rating improved from Aa3/AA/AA to Aa2/AA/AA during fiscal year 2006 from the three national rating agencies of Moody's Investors Service, Standard & Poors and Fitch, respectively. The County's key financial ratios relating to debt are summarized in the following table.

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Assessed Value	\$ 14,495,811,643	\$ 13,472,966,225	\$ 10,808,933,701	\$ 10,245,798,518	\$ 9,525,585,673
Net Tax Supported Debt	\$ 270,398,650	\$ 284,072,400	\$ 174,171,686	\$ 161,186,650	\$ 130,528,914
Net Tax Supported Debt as a Percentage of Assessed Value	1.87%	2.11%	1.61%	1.57%	1.37%
Debt Service as a Percent of Expenditures	14.1%	11.3%	12.3%	13.3%	14.0%
Population	161,338	151,847	144,708	138,928	132,086
Debt per Capita	\$ 1,675.98	\$ 1,870.78	\$ 1,203.61	\$ 1,160.22	\$ 988.21
Available Fund Balance as a Percent of General Fund Expenditures	21.6%	35.5%	38.1%	39.4%	53.8%

Adherence to the County's debt management policy is becoming increasingly critical in light of the County's projected infrastructure requirements and its current debt ratios.

Risk management. The County is exposed to various risks of loss related to assets, liabilities claimed by third parties and employee injury. The County is fully insured through a commercial insurance company for these exposures, with the exception of injuries to employees. The County self-insures workers' compensation claims with non-law enforcement claims exceeding \$300,000 and law enforcement claims exceeding \$350,000 covered by stop-loss insurance.

There has been no significant reduction in insurance coverage from the previous year and settled claims have not exceeded insurance policy limits in the last three years.

Pension plans. County employees are required to participate in one of several multiple-employer, defined benefit pension plans administered by the State of North Carolina. In addition to the pension plans administered by the State, the County administers a single-employer defined benefit plan for certain qualified employees and a supplemental retirement income plan. All of these plans are discussed in the notes to the financial statements.

Each County department's strong commitment to the goals, vision and mission statements of the County are reflected in their provision of services to the residents of Union County. We appreciate the cooperation of all County departments in conducting financial activities, including the preparation of this report. We would like to commend the members of the Finance and Internal Audit Departments, particularly, for their contributions in completing this report. Significant and notable progress was made in insuring that audit work papers and schedules were prepared accurately and made available to the external auditors in a timely fashion. The Finance Department members' planning and preparedness was evident and reflected in the external auditor's ability to efficiently complete their engagement.

We also wish to express appreciation to the Board of County Commissioners and County Manager Mike Shalati for their leadership in making Union County a fiscally sound, well-governed organization.

Respectfully submitted,



Kai D. Nelson
Finance Director



Andrea Robinson
Assistant Finance Director

Union County, North Carolina
List of Principal Officials
June 30, 2006

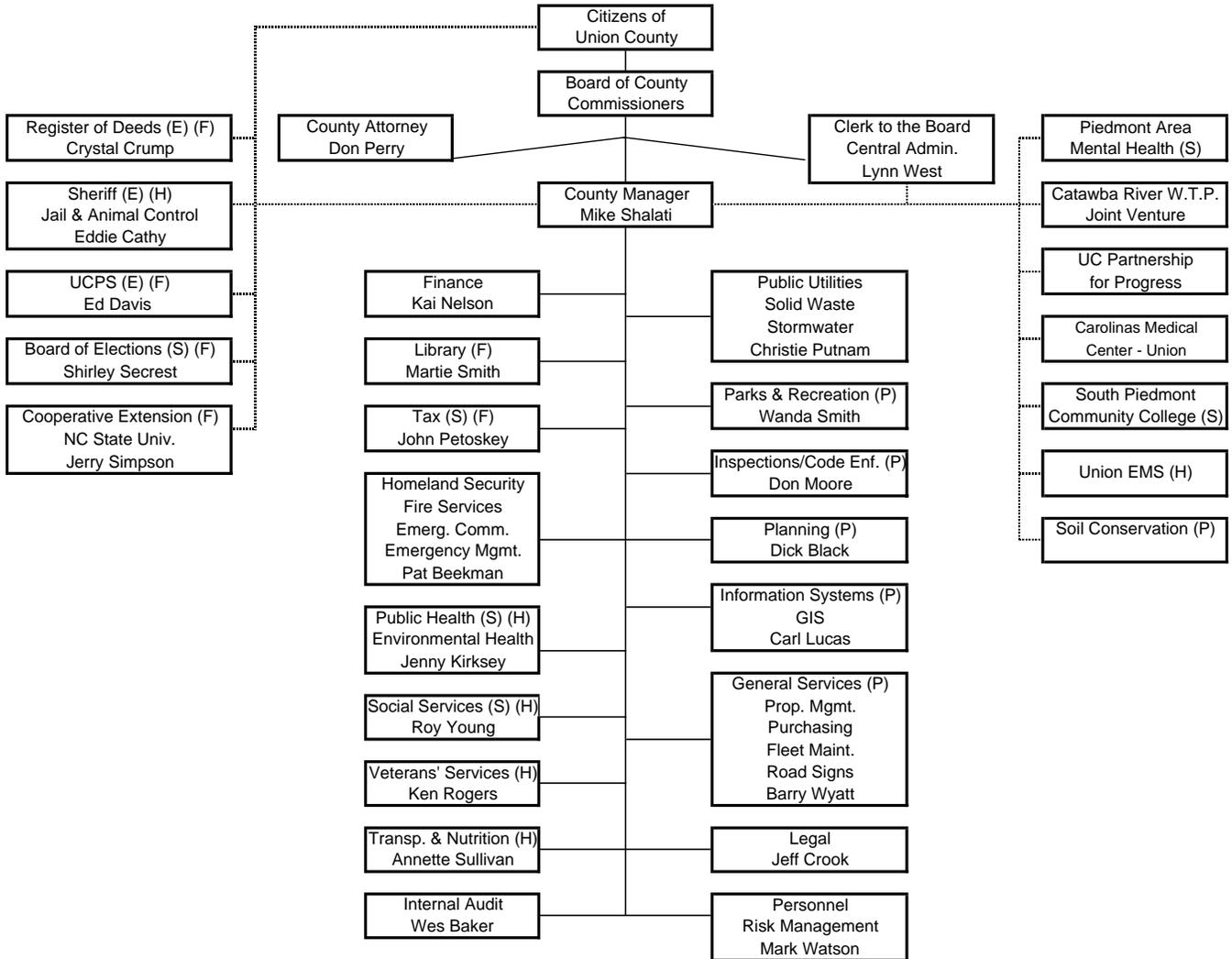
Board of County Commissioners

Roger Lane - Chairman
Hughie Sexton - Vice Chairman
Kevin Pressley
Stony Rushing
Richard Stone

County Officials

Mike Shalati	County Manager
Kai D. Nelson	Finance Director
Lynn G. West	Clerk to the Board
Jerry Simpson	Cooperative Extension Service Director
Don Perry	County Attorney
Shirley Secrest	Elections Director
Patrick Beekman	Homeland Security Director
Barry Wyatt	General Services Director
Carl Lucas	Information Services Director
Donald Moore	Inspections Director
Wesley Baker	Internal Auditor
Martha Smith	Library Director
Wanda Smith	Parks and Recreation Director
Mark Watson	Personnel Director
Richard Black	Planning Director
Jenny Kirksey	Health Director
Christie Putnam	Public Works Director
Crystal Crump	Register of Deeds
Eddie Cathey	Sheriff
Roy Young	Social Services Director
Jeff Crook	Staff Attorney
John Petoskey	Tax Administrator
Annette Sullivan	Transportation/Nutrition Director
Kenneth Rogers	Veterans' Services Director

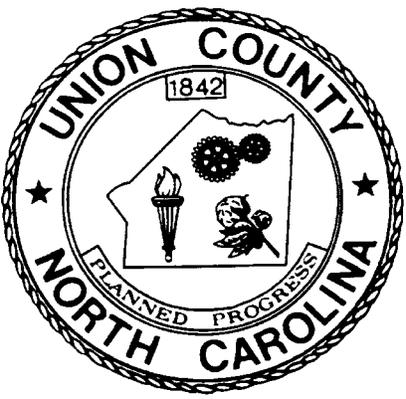
Union County, North Carolina Organizational Chart



- (S) Statutory Appt. Board
- (E) Elected Agency
- (F) Liaison provided by Finance
- (P) Liaison provided by Public Works
- (H) Liaison provided by Homeland Security

Updated: Oct. 02, 2006

Financial Section





INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Union County, North Carolina
Monroe, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union County, North Carolina, "the County", as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2006, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2006 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Special Separation Allowance are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the County. The combining and individual fund statements and schedules for the year ended June 30, 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We did not audit the June 30, 2005 data.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. Such information has not been subjected to the auditing procedures in our audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry Beckert + Holland, L.L.P.

Charlotte, North Carolina
September 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Union County, we offer readers of Union County's financial statements this narrative overview and analysis of the financial activities of Union County for the fiscal year ended June 30, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-6 of this report, and the County's financial statements, which follow this narrative.

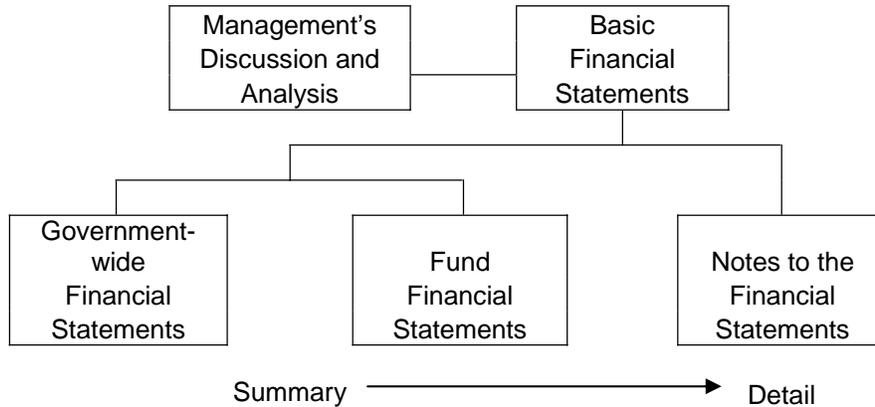
Financial Highlights

- The assets of Union County exceeded its liabilities at the close of the fiscal year by \$51,716,581 (*net assets*), an increase of \$5,289,927 from the prior fiscal year.
- The total net assets of governmental activities was a deficit \$131,690,090 an increase of \$34,373,583 from the prior year's deficit amount of \$97,316,507, primarily due to school capital spending and the issuance of general obligation bonds for school facilities and improvements. In accordance with North Carolina law, the County is financially responsible for funding school facilities and the issuance of any debt in connection with school facilities; however, since school assets are not reflected in the County's financial statements, school capital improvements are expensed.
- As of the close of the current fiscal year, Union County's governmental funds reported combined ending fund balances of \$76,238,309, a decrease of \$55,419,818 in comparison with the prior year. The decrease is mainly attributable to the spending of general obligation bond proceeds in the amount of \$52.7 million relating to school construction. Approximately 17.5 percent of this total amount, or \$13,378,689, is available for spending at the government's discretion (*unreserved and undesignated fund balance*).
- At the end of the current fiscal year, the unreserved and undesignated portion of fund balance for the General Fund was \$27,152,106, or 16.1 percent of total general fund expenditures and other financing uses for the fiscal year.
- Union County's total debt decreased by \$4,481,011 (1.3%) during the current fiscal year with the net decrease attributable to the issuance of general obligation bond anticipation notes and the current year's debt principal payments.
- Union County's general obligation bond rating improved from Aa3/AA/AA to Aa2/AA/AA during fiscal year 2006.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Union County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see *Figure 1*). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Union County.

Required Components of Annual Financial Report Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits C through L) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The *statement of net assets* presents information on all of Union County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful way to gauge the County's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, human services, education, cultural and recreational, general government, and economic and physical development. Property taxes, local option sales taxes

and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer, solid waste and stormwater services offered by Union County.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Union County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as North Carolina General Statutes or the County's budget ordinance. All of the funds of Union County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Most of the County's basic services are accounted for in governmental funds. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Union County adopts an annual budget for its General Fund, as required by North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board of County Commissioners (Board) about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The General Fund budgetary comparison statement uses the budgetary basis of accounting, modified accrual, and is presented with modifications to the format, language, and classifications from the legal budget document. Any stewardship issues in connection with compliance with the legal budget document are reflected in the notes to the financial statements. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements are Exhibits C through G of this report.

Proprietary Funds – Union County maintains two types of proprietary funds, Enterprise and Internal Service. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. Union County uses enterprise funds to account for its Water and Sewer, Solid Waste and Stormwater operations. Internal service funds are an accounting mechanism used to accumulate and allocate costs internally among Union County's various functions. Union County uses internal service funds to account for the financing of goods

and services provided by the Health Benefit, Workers' Compensation and Property and Casualty Funds on a cost reimbursement basis. As each of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Solid Waste and Stormwater operations. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Union County has nine fiduciary funds, one of which is a pension trust fund and eight of which are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 39 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Union County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 74 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 78-137 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The figure below depicts the County's net assets for fiscal year 2006 and provides comparative data, including the percentage change, from fiscal year 2005.

Union County's Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2005-2006
	2006	2005	2006	2005	2006	2005	
Current and other assets	\$ 119,262,906	\$ 155,497,901	\$ 71,565,468	\$ 77,034,577	\$ 190,828,374	\$ 232,532,478	-17.93%
Capital assets	61,458,211	54,441,077	181,046,330	139,574,963	242,504,541	194,016,040	24.99%
Total assets	180,721,117	209,938,978	252,611,798	216,609,540	433,332,915	426,548,518	1.59%
Long-term debt outstanding	283,893,650	284,072,400	61,964,240	66,266,501	345,857,890	350,338,901	-1.28%
Other liabilities	28,517,557	23,183,085	7,240,887	6,599,878	35,758,444	29,782,963	20.06%
Total liabilities	312,411,207	307,255,485	69,205,127	72,866,379	381,616,334	380,121,864	0.39%
Net assets							
Invested in capital assets, net of related debt	36,249,701	31,209,271	128,539,817	82,495,496	164,789,518	113,704,767	44.93%
Restricted	9,948,350	55,565,377	2,767,983	2,836,676	12,716,333	58,402,053	-78.23%
Unrestricted	(177,888,141)	(184,091,155)	52,098,871	58,410,989	(125,789,270)	(125,680,166)	-0.09%
Total net assets	\$ (131,690,090)	\$ (97,316,507)	\$ 183,406,671	\$ 143,743,161	\$ 51,716,581	\$ 46,426,654	11.39%

The assets of Union County exceeded liabilities by \$51,716,581 as of June 30, 2006. The County's net assets increased by \$5,289,927 for the fiscal year ended June 30, 2006. One of the largest portions of net assets reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Union County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Union County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion in the amount of \$12,716,333 of Union County's net assets represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$125,789,270 is unrestricted.

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for the Union County Board of Education (the "school") and the South Piedmont Community College (the "community college"). Under North Carolina law, the County is responsible for providing capital funding for the school and community college systems. The County has chosen to meet its legal obligation to provide the systems capital funding by using a mixture of County funds, general obligation debt and installment financings. The assets funded by the County, however, are titled to, and utilized by the school and community college systems. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. As of June 30, 2006, \$244,758,998 of the outstanding debt, including accrued interest and unamortized bond issuance costs, on the County's financial statements was related to assets included in the school and community college systems' financial statements. There were also \$5,159,220 of unspent bond proceeds and \$11,718,423 of liabilities payable from bond proceeds at June 30, 2006 for school and community college systems' capital projects. The outstanding amount of this debt of \$244.8 million and the liabilities payable of \$11.7 million have been reported as a reduction of unrestricted net assets for governmental activities, resulting in a deficit balance of \$177,888,141 for this category of net assets. The outstanding amount of this debt of \$244.8 million and liabilities payable of \$11.7 million net of unspent bond proceeds of \$.7 million have been reported as a net reduction of net assets for governmental activities, resulting in a deficit balance of \$131,690,090 for this category of net assets. Had capital financing activities in connection with education not been reported as a reduction of unrestricted net assets, the balance of unrestricted net assets for governmental activities would be \$78,589,280 and total net assets would be \$119,628,111.

The vast majority of this school and community college system related debt is general obligation debt; therefore, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

Union County Changes in Net Assets Figure 3

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2006	2005	2006	2005	2006	2005	2005-2006
Revenues:							
Program revenues:							
Charges for services	\$ 18,247,990	\$ 15,864,789	\$ 26,347,941	\$ 20,656,519	\$ 44,595,931	\$ 36,521,308	22.11%
Operating grants and contributions	19,923,546	18,533,128	218,447	200,383	20,141,993	18,733,511	7.52%
Capital grants and contributions	246,468	156,953	37,738,174	22,965,192	37,984,642	23,122,145	64.28%
General revenues:							
Property taxes	84,444,843	73,145,208	-	-	84,444,843	73,145,208	15.45%
Other taxes	32,976,371	28,580,640	-	-	32,976,371	28,580,640	15.38%
Grants and contributions not restricted to specific programs	56,129	57,091	-	-	56,129	57,091	-1.69%
Other	4,141,430	79,328	1,846,511	1,193,573	5,987,941	1,272,901	370.42%
Total revenues	<u>160,036,777</u>	<u>136,417,137</u>	<u>66,151,073</u>	<u>45,015,667</u>	<u>226,187,850</u>	<u>181,432,804</u>	24.67%
Expenses:							
General government	13,575,128	12,168,603	-	-	13,575,128	12,168,603	11.56%
Public safety	28,007,624	26,502,956	-	-	28,007,624	26,502,956	5.68%
Economic and physical development	1,329,057	1,077,860	-	-	1,329,057	1,077,860	23.31%
Human services	33,834,557	31,101,517	-	-	33,834,557	31,101,517	8.79%
Cultural and recreational	6,086,733	5,221,262	-	-	6,086,733	5,221,262	16.58%
Education	101,687,523	103,593,493	-	-	101,687,523	103,593,493	-1.84%
Interest and fees on long term debt	9,566,434	9,673,057	-	-	9,566,434	9,673,057	-1.10%
Water and sewer	-	-	23,455,824	19,402,159	23,455,824	19,402,159	20.89%
Solid waste	-	-	3,239,497	3,060,595	3,239,497	3,060,595	5.85%
Stormwater	-	-	115,546	101,610	115,546	101,610	13.72%
Total expenses	<u>194,087,056</u>	<u>189,338,748</u>	<u>26,810,867</u>	<u>22,564,364</u>	<u>220,897,923</u>	<u>211,903,112</u>	4.24%
Increase (decrease) in net assets before transfers	(34,050,279)	(52,921,611)	39,340,206	22,451,303	5,289,927	(30,470,308)	-117.36%
Transfers	(323,304)	(131,307)	323,304	131,307	-	-	-
Increase (decrease) in net assets	(34,373,583)	(53,052,918)	39,663,510	22,582,610	5,289,927	(30,470,308)	-117.36%
Net assets, July 1	(97,316,507)	(44,263,589)	143,743,161	121,160,551	46,426,654	76,896,962	-39.62%
Net assets, June 30	<u>\$(131,690,090)</u>	<u>\$(97,316,507)</u>	<u>\$ 183,406,671</u>	<u>\$ 143,743,161</u>	<u>\$ 51,716,581</u>	<u>\$ 46,426,654</u>	11.39%

Governmental activities: Governmental activities decreased the County's net assets by \$34,373,583 compared with the prior year's decrease of \$53,052,918. Key elements of this decrease when compared to the prior year are as follows:

- Increased Human Services (\$2.7 million – personnel, public assistance and depreciation of assets) contributed to the increase in net assets.
- These increased expenses were partially offset by an increase in revenue collected from property taxes of \$11.3 million due to a tax rate increase from 52.5 to 56.0 cents, new construction and increased local option sales tax revenue (\$3.8 million). The "other" category of revenues increased in the amount of \$4.1 million due in part to unrestricted investment earnings increase of \$1.5 million during the year due in part to overall higher rate of return on investments and offset by absence of \$2.3 million loss in sale of capital assets in fiscal year 2005. Also, charges for services increased by approximately \$2.4 million with a majority of the increase occurring in public safety (\$1.1 million) and human services (\$.9 million).

Business-type activities: Net assets in the Business-type activities increased by \$39,663,510, offsetting 115.4% of the decrease reflected in governmental activities. Solid Waste services had an increase in net assets of \$992,082, Stormwater services had an increase of \$7,758 and Water

and Sewer services had an increase in net assets of \$38,663,670. The significant increase in net assets of the Water and Sewer Fund is attributable mainly to the recording of capital contributions principally in the form of developers' equity and capacity payments combined with an increase in charges for services revenue due to the imposition of a water conservation rate structure.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was \$27,152,106, while total fund balance was \$49,607,919. As a measure of the general fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 16.1 percent of total General Fund expenditures and other financing uses (excluding the refunded bonds), while total fund balance represents 29.4 percent of that same amount.

At June 30, 2006, the governmental funds of the County reported a combined fund balance of \$76,238,309, a 42.1 percent decrease or \$55.4 million from last year. The primary reason for this decrease relates to the use of General Obligation Bond, Series 2005, issued in fiscal year 2005, proceeds of which were spent for school facilities and improvements in fiscal year 2006.

General Fund Budgetary Highlights: County ad valorem revenues continue to reflect robust growth due to the local housing construction market attributable to the proximity of the County to the Charlotte MSA and due to the Board's policy of implementing tax rate increases associated with debt service management plans in the year immediately following a voter approved school bond referendum. Fiscal year 2006 revenues and other financing sources reflect continued improvement over fiscal year 2005 while fiscal year 2006 expenditures and other financing uses reflect significant increases when compared to fiscal year 2005.

The County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues and other financing sources and expenditures and other financing uses by \$26,575,299 or 17.8%. The majority of this increase was due to budgeting for a transfer of \$21.6 million to the General Capital Project Fund reflecting an equity contribution from the General Fund for various governmental capital projects.

The actual operating revenues for the General Fund were greater than the budgeted amount by \$8,679,017 with the majority of net favorable balance resulting from a combination of favorable ad valorem taxes (\$1.1 million), local option sales tax (\$3.5 million) and permits and fees (\$1.7 million). Actual expenditures were under the final budget by \$6,793,829 with the majority of the

positive variances occurring in General Government, Public Safety and Human Services. Actual fund balance decreased by \$14.8 million compared to the final budgeted use of \$30.3 million.

Proprietary Funds: The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Fund at the end of the fiscal year totaled \$5,728,627, the Stormwater Fund totaled \$76,572 and those for the Water and Sewer Fund totaled \$46,553,909. The total increase in net assets for these funds was \$995,832, \$8,686 and \$38,695,542, respectively. The significant increase in net assets of the Water and Sewer Fund is attributable mainly to the recording of capital contributions principally in the form of developers' equity and capacity payments combined with the imposition of the water conservation rate.

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2006, totaled \$242,504,541 (net of accumulated depreciation), an increase of \$48,488,501 over the prior year's amount of \$194,016,040. These assets include land, buildings, equipment, plants and utility infrastructure.

Major capital asset transactions during the year include:

- Purchase and replacement of public safety vehicles
- Continued purchase and replacement of parks and recreation facilities and various park land improvements
- Completion of construction of the Agricultural Service Center
- Beginning of construction of the Animal Shelter
- Beginning of design costs associated with Jail Expansion
- Beginning of construction related to various Government Facility renovations
- Completion of approximately 86,000 linear feet in connection with Phase 1 of the countywide water transmission main project
- Completion of the Watkins Road water booster pumping station project designed to provide additional capacity to the distribution system
- Construction of 19,000 linear feet of water mains in connection with Secret Short Cut Road project
- Construction of the Twelve Mile Creek Wastewater Treatment Plant expansion project from 2.5 million gallons per day (MGD) to 6.0 MGD
- Completion of 15,000 linear feet of gravity and force main collection lines and a pump station in connection with decommissioning of the Hunley Creek Wastewater Treatment Plant
- Receipt of contributed capital consisting of approximately \$23.7 million for water and sewer distribution and collection systems

**Union County's Capital Assets
Figure 4**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2005-2006
	2006	2005	2006	2005	2006	2005	
	Land	\$ 8,524,567	\$ 5,457,456	\$ 1,474,616	\$ 1,474,616	\$ 9,999,183	
Construction in progress	2,394,451	3,689,473	10,968,195	4,672,408	13,362,646	8,361,881	59.80%
Other improvements	1,847,393	1,955,596	63,456	65,737	1,910,849	2,021,333	-5.47%
Buildings	42,018,625	36,574,767	-	-	42,018,625	36,574,767	14.88%
Furniture and equipment	4,482,684	4,714,202	888,579	921,383	5,371,263	5,635,585	-4.69%
Vehicles	2,190,491	2,049,583	801,392	841,516	2,991,884	2,891,099	3.49%
Plant and collection systems	-	-	91,111,552	77,949,064	91,111,551	77,949,064	16.89%
Plant and distribution systems	-	-	75,738,540	53,650,239	75,738,540	53,650,239	41.17%
	<u>\$ 61,458,211</u>	<u>\$ 54,441,077</u>	<u>\$ 181,046,330</u>	<u>\$ 139,574,963</u>	<u>\$ 242,504,541</u>	<u>\$ 194,016,040</u>	24.99%

Additional information on the County's capital assets can be found in Note 5 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2006, the County had total debt outstanding of \$345,857,890. General obligation debt, both long and short term, secured by the full faith and credit of the County, totaled \$256,857,609, a slight decrease from the previous year. Revenue bonds, certificates of participation, installment financings and other debt totaled \$89,000,281, a decrease of \$4,212,780. A summary of total long-term debt is shown in Figure 5.

**General Obligation Bond, Revenue Bonds, Installment Financing and Notes Payable
Figure 5**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2005-2006
	2006	2005	2006	2005	2006	2005	
	General obligation bonds	\$ 231,960,190	\$ 243,116,688	\$ 11,402,419	\$ 14,009,152	\$243,362,609	
G.O. C.P. bond anticipation notes	13,495,000	-	-	-	13,495,000	-	n/a
Certificates of participation	38,256,834	40,711,814	-	-	38,256,834	40,711,814	-6.03%
Installment financing	181,626	243,898	-	-	181,626	243,898	-25.53%
Revenue bonds	-	-	47,991,158	49,378,190	47,991,158	49,378,190	-2.81%
Other	-	-	2,570,663	2,879,159	2,570,663	2,879,159	-10.71%
	<u>\$ 283,893,650</u>	<u>\$ 284,072,400</u>	<u>\$ 61,964,240</u>	<u>\$ 66,266,501</u>	<u>\$ 345,857,890</u>	<u>\$ 350,338,901</u>	-1.28%

The County's total net debt decreased by \$4,481,011 or 1.3 percent during the past fiscal year.

The County's most recent long term general obligation bond ratings, affirmed in connection with the County's general obligation commercial paper bond anticipation notes, series 2006 issue, are shown below:

Moody's Investor Services	Aa2
Standard & Poor's	AA
Fitch IBCA	AA

The County's most recent utility revenue bond ratings, received in connection with the Enterprise System Revenue Bonds, Series 2003A and Series 2003B issues, are shown below:

Moody's Investor Services	A2
Standard & Poor's	A
Fitch IBCA	A+

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Union County is \$788,967,114. The County has \$97,235,000 in bonds authorized but unissued at June 30, 2006.

Additional information regarding the County's long-term debt can be found in Note 15.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

Indicator	Union County	North Carolina
Population Increase 1990-2000	46.9%	21.4%
Population Increase 2000-2005	28.6%	7.5%
Projected Population Increase 2006-2010	18.7%	7.7%
Unemployment Rate (2005)	4.2%	5.2%
Unemployment Rate (07/2006)	3.9%	5.1%
Per Capita Personal Income (2004)	\$27,667	\$29,579
Median Household Income (2004)	\$56,197	\$47,112

Data source: U.S. Census Bureau, Bureau of Economic Analysis, North Carolina State Demographics Unit, NC Employment Security Commission

Budget Highlights for the Fiscal Year Ending June 30, 2007

Governmental Activities: The General Fund budget for the fiscal year ending June 30, 2007 totals \$184.8 million, an increase of \$38.0 million, or 25.9%, over the fiscal year ended June 30, 2006 amount, excluding the one-time transfer of \$20.6 million. The single largest amount of the increase is attributable to education expenditures which total \$58.3 million in Fiscal Year 2007 compared to \$32.1 million for the prior fiscal year; an increase of \$26.1 million. Approximately \$14.9 million of the increase is due to the elimination of two supplemental school taxes, each in the amount of \$0.07 per \$100 assessed valuation. These two taxes were consolidated into the single countywide tax rate, which increased from \$0.56 to \$0.6367. The balance - \$11 million - of the increase in education expenditures represented a real increase in the appropriation to the local school system, with proceeds from the \$0.0067 tax rate increase dedicated to funding additional appropriations to the school system.

With the elimination and consolidation of the supplemental school taxes, sales and use taxes formerly credited directly to trust and agency funds are now reflected in the General Fund.

Estimated operating revenues for Fiscal Year 2007 are \$177.8 million as compared to \$154.2 million for Fiscal Year 2006; an increase of \$23.7 million. Approximately \$24.2 million of the increase occurs in the ad valorem and local option sales tax revenue categories. The elimination and consolidation of the supplemental school tax contributes about \$14.9 million to General Fund revenues. The balance of the increase in the ad valorem and sales tax categories is mainly attributable to (1) retail sales growth estimated at 10%, (2) taxable property tax assessment increase of 9%, and (3) a tax rate increase for school current expense in the amount of \$0.0067 per \$100 of assessed valuation.

The Fiscal Year 2007 budget appropriates \$6.9 million from fund balance as compared to the original fund balance appropriation of \$6.8 million for Fiscal Year 2006.

The County maintains a five-year Capital Improvement Plan ("CIP") and financial feasibility forecast for tax-supported and enterprise fund activities. The tax-supported CIP contains projected capital expenditures for the Union County Public Schools ("UCPS"), South Piedmont Community College ("SPCC") and County programs and functions such as law enforcement, parks and recreation and general government. The CIP is funded through current revenues, capital contributions and long-term debt. The CIP and financial forecast is periodically updated to reflect changing priorities and circumstances.

The County CIP for its public schools totals \$568 million for the period 2007-2011. The UCPS CIP is anticipated to be funded with approximately \$73.5 million from current revenues, contributed capital and reserves with the balance of \$494.5 million funded through the issuance of debt or installment financings. Of the \$494.5 million, the County has authorized and unissued general obligation debt capacity of \$97.2 million for which the County anticipates issuing through its commercial paper program. The remaining \$397.3 million is expected to be provided for through the execution and delivery of the 2006 Certificates of Participation and additional general obligation capacity to be secured by a November 2006 referendum in the amount of \$174.5 million and a November 2008 referendum in the amount of \$152.5 million.

In connection with the UCPS CIP, proceeds from the 2006 Certificates of Participation and the County commercial paper program will provide sufficient resources to the third quarter of calendar year 2007 at which time the County anticipates issuing its \$110,730,000 Variable Rate General Obligation Bonds, Series 2007 (the "2007 Bonds") to discharge the commercial paper notes. If the November 2006 referendum is approved by the voters, the County anticipates issuing additional general obligation debt with the 2007 Bonds.

The County CIP for SPCC and its other programs and functions totals \$121.6 million for the period 2007-2011. This portion of the County's CIP is anticipated to be funded with approximately \$45.6 million from current revenues, contributed capital and reserves with the balance of \$76 million issued through installment financing agreements. The largest capital expenditure is the construction of a jail detention facility in the amount of \$73 million for which the County anticipates entering into an installment financing contract in late calendar year 2007.

Business – type Activities: The County has also approved a \$42.0 million Water and Sewer budget for fiscal year 2007 which represents a \$5.0 million increase from fiscal year 2006's final budget of \$37.0 million. A significant portion of the increase is attributable to an increased transfer to the enterprise capital fund, with the transferred resources used to finance a portion of the utility system improvements. A large portion of the transfer is being funded through an appropriation of unrestricted net assets and capital contributions.

The County anticipates updating the utility financial feasibility study, to include the capital improvement program, by mid-fiscal year 2007. The feasibility study will identify the necessary revenues and rate structures, to support future operations, maintenance, debt service costs and the capital improvement program. The County anticipates issuing Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2007 in an aggregate amount of at least \$20 million during the last quarter of fiscal year 2007 to finance a portion of the capital improvement program. The County previously executed a forward swap agreement to effectively change the County's interest rate on the Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2007 to a synthetic fixed rate of 3.603%, excluding liquidity, remarketing, and other fees. The County did not budget any increases in water and sewer rates and fees in connection with the approved budget pending the results of the updated feasibility study.

The County has also approved a \$4.0 million Solid Waste budget for fiscal year 2007 which represents a slight decrease of \$0.2 million from fiscal year 2006's final budget of \$4.2 million. The fiscal year 2007 budget contains a tipping fee rate adjustment of 2.6% for municipal solid waste. The purpose of this rate adjustment is to fund anticipated disposal and transportation cost increases of 3.5% effective January 1, 2007.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Union County, 500 N. Main Street, Suite 901, Monroe, NC 28112.

Basic Financial Statements

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total Primary Government
ASSETS			
Current assets:			
Cash and investments	\$ 64,900,322	\$ 34,088,026	\$ 98,988,348
Property taxes receivable (net)	2,376,923	-	2,376,923
Accounts receivable (net)	12,470,888	4,872,489	17,343,377
Inventories	29,368	980,471	1,009,839
Internal balances	260,282	(260,282)	-
Cash and investments, restricted	8,594,327	2,767,983	11,362,310
Total current assets	<u>88,632,110</u>	<u>42,448,687</u>	<u>131,080,797</u>
Noncurrent assets:			
Cash and investments	28,831,856	14,458,563	43,290,419
Unamortized bond issuance cost	1,798,940	987,563	2,786,503
Investment in joint venture	-	13,670,655	13,670,655
Land and other assets not being depreciated Buildings, equipment and infrastructure, net of depreciation	10,919,018	12,442,811	23,361,829
	50,539,193	168,603,519	219,142,712
Total noncurrent assets	<u>92,089,007</u>	<u>210,163,111</u>	<u>302,252,118</u>
Total assets	<u>180,721,117</u>	<u>252,611,798</u>	<u>433,332,915</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	8,263,699	4,125,404	12,389,103
Unearned revenue	114,026	-	114,026
Deposits	4,516,391	195,316	4,711,707
Current portion of long-term obligations	27,414,341	4,524,732	31,939,073
Liabilities payable from restricted assets	12,109,984	-	12,109,984
Workers' compensation claims	128,037	-	128,037
Health care benefits	717,400	-	717,400
Total current liabilities	<u>53,263,878</u>	<u>8,845,452</u>	<u>62,109,330</u>
Noncurrent liabilities:			
Accrued landfill postclosure care costs	-	2,545,765	2,545,765
Compensated absences	2,668,020	374,402	3,042,422
Noncurrent portion of long-term obligations	256,479,309	57,439,508	313,918,817
Total noncurrent liabilities	<u>259,147,329</u>	<u>60,359,675</u>	<u>319,507,004</u>
Total liabilities	<u>312,411,207</u>	<u>69,205,127</u>	<u>381,616,334</u>
NET ASSETS			
Invested in capital assets, net of related debt	36,249,701	128,539,817	164,789,518
Restricted for:			
Public safety	3,302,962	-	3,302,962
Education	6,645,388	-	6,645,388
Debt service	-	2,767,983	2,767,983
Unrestricted	(177,888,141)	52,098,871	(125,789,270)
Total net assets	<u>\$ (131,690,090)</u>	<u>\$ 183,406,671</u>	<u>\$ 51,716,581</u>

The notes to the financial statements are an integral part of this statement.

Statement of Activities

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 13,575,128	\$ 1,793,100	\$ 1,090,476	\$ -	\$ (10,691,552)	\$ -	\$(10,691,552)
Public safety	28,007,624	9,937,362	1,705,335	-	(16,364,927)	-	(16,364,927)
Economic and physical development	1,329,057	86,371	20,043	-	(1,222,643)	-	(1,222,643)
Human services	33,834,557	5,810,110	14,919,404	143,217	(12,961,826)	-	(12,961,826)
Cultural and recreational	6,086,733	621,047	240,822	103,251	(5,121,613)	-	(5,121,613)
Education	101,687,523	-	1,947,466	-	(99,740,057)	-	(99,740,057)
Interest and fees on long term debt	9,566,434	-	-	-	(9,566,434)	-	(9,566,434)
Total governmental activities	194,087,056	18,247,990	19,923,546	246,468	(155,669,052)	-	(155,669,052)
Business-type activities:							
Water and sewer	23,455,824	22,588,615	-	37,738,174	-	36,870,965	36,870,965
Solid waste	3,239,497	3,759,326	218,447	-	-	738,276	738,276
Stormwater	115,546	-	-	-	-	(115,546)	(115,546)
Total business-type activities	26,810,867	26,347,941	218,447	37,738,174	-	37,493,695	37,493,695
Total primary government	\$ 220,897,923	\$ 44,595,931	\$ 20,141,993	\$ 37,984,642	(155,669,052)	37,493,695	(118,175,357)
General revenues:							
Property taxes levied for general purposes					84,444,843	-	84,444,843
Local option sales tax					29,128,130	-	29,128,130
Other taxes and licenses					3,848,241	-	3,848,241
Grants and contributions not restricted to specific programs					56,129	-	56,129
Investment earnings, unrestricted					4,020,584	1,778,463	5,799,047
Miscellaneous, unrestricted					17,661	-	17,661
Transfers					(323,304)	323,304	-
Gain on sale of capital assets					103,185	68,048	171,233
Total general revenues and transfers					121,295,469	2,169,815	123,465,284
Change in net assets					(34,373,583)	39,663,510	5,289,927
Net assets - beginning					(97,316,507)	143,743,161	46,426,654
Net assets - ending					<u>\$(131,690,090)</u>	<u>\$ 183,406,671</u>	<u>\$ 51,716,581</u>

The notes to the financial statements are an integral part of this statement.

Balance Sheet**Governmental Funds**

June 30, 2006

	Major			Nonmajor	Total Governmental Funds
	General Fund	General Capital Projects Fund	School Bond Fund 55	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 46,856,908	\$ 25,528,555	\$ -	\$ 18,246,419	\$ 90,631,882
Property taxes receivable (net)	2,359,493	-	-	35,093	2,394,586
Accounts receivable (net)	11,946,827	103,250	-	251,558	12,301,635
Inventories	29,368	-	-	-	29,368
Cash and investments, restricted	2,847	3,694,294	4,647,080	250,106	8,594,327
Total assets	<u>\$ 61,195,443</u>	<u>\$ 29,326,099</u>	<u>\$ 4,647,080</u>	<u>\$ 18,783,176</u>	<u>\$ 113,951,798</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4,599,828	\$ 447,302	\$ -	\$ 36,372	\$ 5,083,502
Deferred revenue	2,359,493	-	-	35,093	2,394,586
Unearned revenue	111,812	-	-	2,214	114,026
Deposits	4,516,391	-	-	-	4,516,391
Liabilities payable from restricted assets	-	366,405	11,718,423	25,156	12,109,984
Commercial paper bond anticipation notes payable	-	4,495,000	9,000,000	-	13,495,000
Total liabilities	<u>11,587,524</u>	<u>5,308,707</u>	<u>20,718,423</u>	<u>98,835</u>	<u>37,713,489</u>
FUND BALANCES					
Reserved for encumbrances	1,116,621	2,467,140	-	340,481	3,924,242
Reserved by State statute	11,976,195	103,250	-	251,558	12,331,003
Reserved for drug enforcement	-	-	-	222,565	222,565
Unreserved					
Designated for subsequent years' expenditures	6,934,867	21,447,002	-	-	28,381,869
Designated for subsequent years' expenditures, reported in nonmajor:					
Special revenue	-	-	-	225,697	225,697
Debt service	-	-	-	15,128,687	15,128,687
Capital projects	-	-	-	145,208	145,208
Designated for special purpose	2,428,130	-	-	-	2,428,130
Designated for special purpose, reported in nonmajor:					
Special revenue	-	-	-	72,219	72,219
Undesignated	27,152,106	-	(16,071,343)	-	11,080,763
Undesignated, reported in nonmajor:					
Special revenue	-	-	-	2,297,926	2,297,926
Total fund balances	<u>49,607,919</u>	<u>24,017,392</u>	<u>(16,071,343)</u>	<u>18,684,341</u>	<u>76,238,309</u>
Total liabilities and fund balances	<u>\$ 61,195,443</u>	<u>\$ 29,326,099</u>	<u>\$ 4,647,080</u>	<u>\$ 18,783,176</u>	<u>\$ 113,951,798</u>

The notes to the financial statements are an integral part of this statement.

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets**

June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance - governmental funds	\$ 76,238,309
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	61,458,211
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,376,923
Internal service funds are used by management to charge the costs of health and dental insurance to individual funds. The current assets and liabilities of this internal service fund are included in governmental activities in the statement of net assets.	197,722
Internal service funds are used by management to charge the costs of workers' compensation to individual funds. The current assets and liabilities of this internal service fund are included in governmental activities in the statement of net assets.	1,847,228
Internal service funds are used by management to charge the costs of property and casualty insurance to individual funds. The current assets and liabilities of this internal service fund are included in governmental activities in the statement of net assets.	267,981
Internal balance due from Business Type Activities to Governmental Activities.	260,282
Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(2,668,020)
Long-term liabilities, including bonds and installment financing payable, are not due and payable in the current period and, therefore, are not reported in the funds (principal and unamortized balances for governmental activities, per Note 15. A. 2, in the amount of \$283,893,650, less commercial paper bond anticipation notes proceeds recorded as current liabilities in the fund financial statements in the amount of \$13,495,000, as well as accrued interest payable of \$3,069,016 net of unamortized bond issuance costs of \$1,798,940).	(271,668,726)
Net assets of governmental activities	<u>\$ (131,690,090)</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2006

	Major			Nonmajor	Total
	General	General	School	Other	
	Fund	Capital Projects	Bond	Governmental	Governmental
		Fund	Fund 55	Funds	Funds
REVENUES					
Ad valorem taxes	\$ 82,560,139	\$ -	\$ -	\$ 1,568,273	\$ 84,128,412
Local option sales tax	28,531,924	-	-	596,206	29,128,130
Other taxes and licenses	3,058,141	-	-	1,053,638	4,111,779
Intergovernmental	19,544,524	103,251	-	75,447	19,723,222
Permits and fees	9,603,600	-	-	1,410,211	11,013,811
Sales and services	4,227,737	-	-	10,000	4,237,737
Investment earnings	2,508,882	299,314	1,025,273	92,958	3,926,427
Miscellaneous	3,350,505	-	-	22,306	3,372,811
Total revenues	<u>153,385,452</u>	<u>402,565</u>	<u>1,025,273</u>	<u>4,829,039</u>	<u>159,642,329</u>
EXPENDITURES					
Current:					
General government	12,703,914	20,660	-	-	12,724,574
Public safety	23,605,563	-	-	4,305,127	27,910,690
Economic and physical development	1,208,568	-	-	-	1,208,568
Human services	33,773,032	-	-	-	33,773,032
Cultural and recreational	5,130,410	-	-	-	5,130,410
Intergovernmental:					
Education	32,142,098	-	-	-	32,142,098
Capital outlay:					
General government	-	934,982	-	-	934,982
Public safety	-	1,274,262	-	-	1,274,262
Economic and physical development	-	3,108,274	-	-	3,108,274
Cultural and recreational	-	136,918	-	28,508	165,426
Education	-	7,118,633	65,496,376	-	72,615,009
Debt service:					
Principal retirement	13,730,879	-	-	-	13,730,879
Interest and fees	10,020,639	-	-	-	10,020,639
Total expenditures	<u>132,315,103</u>	<u>12,593,729</u>	<u>65,496,376</u>	<u>4,333,635</u>	<u>214,738,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,070,349</u>	<u>(12,191,164)</u>	<u>(64,471,103)</u>	<u>495,404</u>	<u>(55,096,514)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	772,981	30,407,054	-	5,902,539	37,082,574
Transfers to other funds	<u>(36,632,897)</u>	<u>(772,981)</u>	<u>-</u>	<u>-</u>	<u>(37,405,878)</u>
Total other financing sources (uses)	<u>(35,859,916)</u>	<u>29,634,073</u>	<u>-</u>	<u>5,902,539</u>	<u>(323,304)</u>
Net change in fund balances	(14,789,567)	17,442,909	(64,471,103)	6,397,943	(55,419,818)
FUND BALANCES					
Beginning	64,397,486	6,574,483	48,399,760	12,286,398	131,658,127
Ending	<u>\$ 49,607,919</u>	<u>\$ 24,017,392</u>	<u>\$ (16,071,343)</u>	<u>\$ 18,684,341</u>	<u>\$ 76,238,309</u>

The notes to the financial statements are an integral part of this statement.

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities**

For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (55,419,818)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	7,033,274
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets.	(16,140)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	316,431
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	14,185,084
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(257,329)
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of health and dental insurance program.	(74,846)
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of workers' compensation program.	(264,857)
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of property and casualty insurance program	<u>124,618</u>
Change in net assets of governmental activities	<u>\$ (34,373,583)</u>

The notes to the financial statements are an integral part of this statement.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund

For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 80,711,991	\$ 81,436,991	\$ 82,560,139	\$ 1,123,148
Local option sales tax	25,016,175	25,016,175	28,531,924	3,515,749
Other taxes and licenses	2,420,000	2,420,000	3,058,141	638,141
Intergovernmental	17,093,400	19,505,695	19,544,524	38,829
Permits and fees	7,894,940	7,894,940	9,603,600	1,708,660
Sales and services	3,909,788	3,929,198	4,227,737	298,539
Investment earnings	2,089,000	2,089,000	2,508,882	419,882
Miscellaneous	2,391,519	2,414,436	3,350,505	936,069
Total revenues	<u>141,526,813</u>	<u>144,706,435</u>	<u>153,385,452</u>	<u>8,679,017</u>
EXPENDITURES				
Current:				
General government	14,106,908	14,337,198	12,703,914	1,633,284
Public safety	23,861,461	25,045,702	23,605,563	1,440,139
Economic and physical development	2,416,168	2,179,454	1,208,568	970,886
Human services	32,758,182	35,573,181	33,773,032	1,800,149
Cultural and recreational	5,257,590	5,822,665	5,130,410	692,255
Intergovernmental:				
Education	31,248,487	32,149,988	32,142,098	7,890
Debt service:				
Principal retirement	13,912,402	13,730,882	13,730,879	3
Interest and fees	11,064,961	10,022,809	10,020,639	2,170
Contingency	500,000	223,127	-	223,127
Nondepartmental	1,301,856	23,926	-	23,926
Total expenditures	<u>136,428,015</u>	<u>139,108,932</u>	<u>132,315,103</u>	<u>6,793,829</u>
Revenues over expenditures	<u>5,098,798</u>	<u>5,597,503</u>	<u>21,070,349</u>	<u>15,472,846</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	772,982	772,981	(1)
Transfers to other funds	(12,738,516)	(36,632,898)	(36,632,897)	1
Proceeds from installment financing debt	796,970	-	-	-
Appropriated fund balance	6,842,748	30,262,413	-	(30,262,413)
Total other financing sources (uses)	<u>(5,098,798)</u>	<u>(5,597,503)</u>	<u>(35,859,916)</u>	<u>(30,262,413)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(14,789,567)</u>	<u>\$ (14,789,567)</u>
FUND BALANCES				
Beginning			64,397,486	
Ending			<u>\$ 49,607,919</u>	

The notes to the financial statements are an integral part of this statement.

Statement of Net Assets

Proprietary Funds

June 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
ASSETS					
Current assets:					
Cash and investments	\$ 28,265,635	\$ 5,760,833	\$ 61,558	\$ 34,088,026	\$ 3,100,296
Accounts receivable (net)	4,319,971	552,518	-	4,872,489	169,253
Inventories	980,471	-	-	980,471	-
Cash and investments, restricted	2,767,983	-	-	2,767,983	-
Total current assets	<u>36,334,060</u>	<u>6,313,351</u>	<u>61,558</u>	<u>42,708,969</u>	<u>3,269,549</u>
Noncurrent assets:					
Cash and investments	12,174,447	2,259,967	24,149	14,458,563	-
Unamortized bond issuance costs	987,563	-	-	987,563	-
Investment in joint venture	13,670,655	-	-	13,670,655	-
Land and other assets not being depreciated	12,125,792	310,705	6,314	12,442,811	-
Buildings, equipment and infrastructure, net of depreciation	167,486,659	1,116,860	-	168,603,519	-
Total noncurrent assets	<u>206,445,116</u>	<u>3,687,532</u>	<u>30,463</u>	<u>210,163,111</u>	<u>-</u>
Total assets	<u>242,779,176</u>	<u>10,000,883</u>	<u>92,021</u>	<u>252,872,080</u>	<u>3,269,549</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	3,880,885	240,777	3,742	4,125,404	111,181
Deposits	188,936	6,380	-	195,316	-
Long-term liabilities, due within one year:					
General obligation bonds payable	2,445,177	-	-	2,445,177	-
Revenue bonds payable	1,845,858	-	-	1,845,858	-
State sanitary sewer loan payable	233,697	-	-	233,697	-
Workers' compensation claims payable	-	-	-	-	128,037
Health care benefits payable	-	-	-	-	717,400
Total current liabilities	<u>8,594,553</u>	<u>247,157</u>	<u>3,742</u>	<u>8,845,452</u>	<u>956,618</u>
Noncurrent liabilities:					
Accrued landfill postclosure care costs	-	2,545,765	-	2,545,765	-
Compensated absences	317,285	51,724	5,393	374,402	-
Long-term liabilities, due in more than one year:					
General obligation bonds	8,957,242	-	-	8,957,242	-
Revenue bonds	46,145,300	-	-	46,145,300	-
State sanitary sewer loan	2,336,966	-	-	2,336,966	-
Total noncurrent liabilities	<u>57,756,793</u>	<u>2,597,489</u>	<u>5,393</u>	<u>60,359,675</u>	<u>-</u>
Total liabilities	<u>66,351,346</u>	<u>2,844,646</u>	<u>9,135</u>	<u>69,205,127</u>	<u>956,618</u>
NET ASSETS					
Invested in capital assets, net of related debt	127,105,938	1,427,565	6,314	128,539,817	-
Restricted for debt service	2,767,983	-	-	2,767,983	-
Unrestricted	46,553,909	5,728,672	76,572	52,359,153	2,312,931
Total net assets	<u>\$ 176,427,830</u>	<u>\$ 7,156,237</u>	<u>\$ 82,886</u>	<u>183,666,953</u>	<u>\$ 2,312,931</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(260,282)</u>	
Net assets of business-type activities				<u>\$ 183,406,671</u>	

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
OPERATING REVENUES					
Charges for services	\$ 21,906,006	\$ 3,751,730	\$ -	\$ 25,657,736	\$ 7,147,650
Disposal fees	-	218,447	-	218,447	-
Other operating revenue	682,609	7,596	-	690,205	-
Total operating revenues	<u>22,588,615</u>	<u>3,977,773</u>	<u>-</u>	<u>26,566,388</u>	<u>7,147,650</u>
OPERATING EXPENSES					
Personnel	4,510,586	785,951	109,827	5,406,364	-
Operating expenses	9,635,860	2,592,307	4,791	12,232,958	738,800
Depreciation	6,350,660	132,016	-	6,482,676	-
Operating leases	164,153	-	-	164,153	-
Landfill closure	-	(274,527)	-	(274,527)	-
Workers' compensation claims	-	-	-	-	289,117
Health benefit claims and premiums	-	-	-	-	5,859,648
Property and casualty claims and premiums	-	-	-	-	605,877
Total operating expenses	<u>20,661,259</u>	<u>3,235,747</u>	<u>114,618</u>	<u>24,011,624</u>	<u>7,493,442</u>
Operating income (loss)	<u>1,927,356</u>	<u>742,026</u>	<u>(114,618)</u>	<u>2,554,764</u>	<u>(345,792)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	1,524,657	253,806	-	1,778,463	94,157
Gain (loss) on sale of capital assets	68,048	-	-	68,048	-
Interest and fees on long term debt	(2,609,533)	-	-	(2,609,533)	-
Loss on investment in joint venture	(153,160)	-	-	(153,160)	-
Total nonoperating revenue (expenses)	<u>(1,169,988)</u>	<u>253,806</u>	<u>-</u>	<u>(916,182)</u>	<u>94,157</u>
Income (loss) before contributions and transfers	757,368	995,832	(114,618)	1,638,582	(251,635)
OTHER CHANGES IN NET ASSETS					
Transfers from other funds	200,000	-	123,304	323,304	-
Capital contributions - cash	14,042,653	-	-	14,042,653	-
Capital contributions - non-cash	23,695,521	-	-	23,695,521	-
Change in net assets	<u>38,695,542</u>	<u>995,832</u>	<u>8,686</u>	<u>39,700,060</u>	<u>(251,635)</u>
NET ASSETS					
Beginning	137,732,288	6,160,405	74,200	143,966,893	2,564,566
Ending	<u>\$ 176,427,830</u>	<u>\$ 7,156,237</u>	<u>\$ 82,886</u>	<u>183,666,953</u>	<u>\$ 2,312,931</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(260,282)</u>	
Change in net assets of business-type activities				<u>\$ 183,406,671</u>	

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
OPERATING ACTIVITIES					
Cash received from customers for services	\$ 20,057,151	\$ 3,635,295	\$ -	\$ 23,692,446	\$ 7,101,036
Other operating revenue	682,609	226,043	-	908,652	-
Cash paid to employees	(4,429,064)	(777,643)	(103,111)	(5,309,818)	-
Cash paid for goods and services	(8,076,354)	(2,738,774)	(5,988)	(10,821,116)	(7,273,040)
Net cash provided (used) by operating activities	8,234,342	344,921	(109,099)	8,470,164	(172,004)
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	200,000	-	123,304	323,304	-
CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	68,048	-	-	68,048	-
Proceeds from tap fees	14,042,653	-	-	14,042,653	-
Payments on general obligation bond debt	(2,691,293)	-	-	(2,691,293)	-
Payments on revenue bond debt	(1,610,000)	-	-	(1,610,000)	-
Payments on state sanitary loan	(233,697)	-	-	(233,697)	-
Payments on sewer plant acquisition	(74,799)	-	-	(74,799)	-
Interest paid on bonds and other debt	(2,725,586)	-	-	(2,725,586)	-
Acquisition and construction of capital assets	(23,765,352)	-	(6,314)	(23,771,666)	-
Net cash used by capital and related financing activities	(16,990,026)	-	(6,314)	(16,996,340)	-
INVESTING ACTIVITIES					
Investment earnings	1,524,659	253,807	-	1,778,466	94,157
Net increase (decrease) in cash and investments	(7,031,025)	598,728	7,891	(6,424,406)	(77,847)
CASH AND INVESTMENTS					
Beginning of year	50,239,090	7,422,072	77,816	57,738,978	3,178,143
End of year	\$ 43,208,065	\$ 8,020,800	\$ 85,707	\$ 51,314,572	\$ 3,100,296
Reconciliation of cash and investments to the Statement of Net Assets:					
Cash and investments	\$ 28,265,635	\$ 5,760,833	\$ 61,558	\$ 34,088,026	\$ 3,100,296
Cash and investments, noncurrent	12,174,447	2,259,967	24,149	14,458,563	-
Cash and investments, restricted assets	2,767,983	-	-	2,767,983	-
Total Statement of Net Assets cash and cash equivalents	\$ 43,208,065	\$ 8,020,800	\$ 85,707	\$ 51,314,572	\$ 3,100,296
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,927,356	\$ 742,026	\$ (114,618)	\$ 2,554,764	\$ (345,792)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	6,350,660	132,016	-	6,482,676	-
Provision for uncollectible accounts	118,313	34,172	-	152,485	-
Landfill closure and post closure care costs	-	(274,527)	-	(274,527)	-
Changes in assets and liabilities					
Increase in accounts receivable (net)	(1,201,220)	(150,607)	-	(1,351,827)	(46,614)
Increase in inventories	(8,943)	-	-	(8,943)	-
Increase (decrease) in accounts payable and accrued liabilities	1,786,991	(136,518)	126	1,650,599	220,402
Decrease in deposits	(765,948)	-	-	(765,948)	-
Increase (decrease) in compensated absences payable	27,133	(1,641)	5,393	30,885	-
Total adjustments	6,306,986	(397,105)	5,519	5,915,400	173,788
Net cash provided (used) by operating activities	\$ 8,234,342	\$ 344,921	\$ (109,099)	\$ 8,470,164	\$ (172,004)
Noncash investing, capital, and financing activities:					
Loss on investment in joint venture	\$ (153,160)	\$ -	\$ -	\$ (153,160)	\$ -
Contribution of capital infrastructure	\$ 23,695,521	\$ -	\$ -	\$ 23,695,521	\$ -

The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

	Special Separation Allowance Pension Trust Fund	Agency Funds
ASSETS		
Cash and investments	\$ 1,303,011	\$ 489,025
Property taxes receivable (net)	-	309,705
Accounts receivable (net)	28,335	1,089,615
Total assets	<u>1,331,346</u>	<u>\$ 1,888,345</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	-	\$ 1,811,725
Due to program participants	-	76,620
Total liabilities	<u>-</u>	<u>\$ 1,888,345</u>
NET ASSETS		
Held in Trust for:		
Employees' pension benefits	1,331,346	
Total net assets	<u>\$ 1,331,346</u>	

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund - Pension Trust Fund -
Special Separation Allowance Fund
 For the Year Ended June 30, 2006

	Special Separation Allowance Pension Trust Fund
<hr/>	
ADDITIONS	
Employer contributions	\$ 707,756
Net investment income	41,639
Total additions	<hr/> 749,395
 DEDUCTIONS	
Benefits	<hr/> 675,974
 Change in net assets	 73,421
 NET ASSETS	
Beginning	1,257,925
Ending	<hr/> <hr/> \$ 1,331,346

The notes to the financial statements are an integral part of this statement.



Union County, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Union County, North Carolina and its component units conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10 (hereinafter references to the North Carolina General Statutes will be cited as G.S.). As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The County has determined that it has two blended component units, although legally separate entities, which are, in substance, a part of the County's operations.

Union County Industrial Facilities and Pollution Control Financing Authority

Union County Industrial Facilities and Pollution Control Financing Authority (Authority) is a component unit of the County and exists to issue and service revenue bond debt of private business for economic development purposes. The Authority is governed by a seven-member board, all of whom are appointed by the County Board of Commissioners (Board). The Board can remove any Authority member with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Authority does not issue separate financial statements.

Union County Public Facilities Corporation

Union County Public Facilities Corporation (Corporation) is a blended component unit of the County and exists to encourage the modernization of public facilities, through the financing, acquisition, construction, operation and lease of real estate, improvements, facilities, and equipment for the use of Union County. The Corporation is governed by a three-member board, all of whom are appointed by the County Board of Commissioners. The Board can remove any Corporation member with or without cause. The Corporation's transactions are reported within the General and Capital Projects Funds. The Corporation does not issue separate financial statements.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (Union County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants

and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund – This is the County's primary operating fund. The General Fund accounts for all financial resources of the general government except those that are required to be accounted for in another fund. The primary sources are ad valorem taxes, sales taxes, federal and state grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, human services, education and debt service.

General Capital Project Fund – The sources of this fund are primarily transfers from the General Fund, proceeds from installment financing and general obligation bonds which are expended for capital asset acquisition, improvement and construction of various governmental projects and funds for recurring capital contributions for educational purposes and facilities.

School Bond Fund 55 - The sources of this fund are primarily proceeds from general obligation bonds which are expended for capital asset acquisition, improvement and construction for various school facility capital projects.

The County reports the following major enterprise funds:

Water and Sewer Fund – This fund accounts for the County's water and sewer operations. The Water and Sewer Capital Project Fund is consolidated with the Water and Sewer Fund (the operating fund) for financial reporting purposes.

Solid Waste Fund – The Solid Waste Fund accounts for the County's solid waste operations. The Solid Waste Capital Reserve Fund is a reserve established by the County to accumulate the funds necessary to cover the post closure care costs that will be incurred by the landfill in the future. The Solid Waste Capital Reserve Fund is consolidated with the Solid Waste Fund (the operating fund) for financial reporting purposes.

Stormwater Fund – The Stormwater Fund accounts for the County's stormwater planning program.

Additionally, the County reports the following fund types:

Special Revenue Funds - Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains six Special Revenue Funds: the Hemby Bridge Fire District Fund, the Stallings Fire District Fund, the Wesley Chapel Fire District Fund, the Fee Supported Fire Districts Fund, the Emergency Telephone System Fund and the General Special Revenue Fund.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for school facility debt service sinking fund from governmental resources. The County maintains one Debt Service Fund: the Debt Service Fund. This Fund was established by an appropriation approved by the Board of County Commissioners.

Capital Project Funds - Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds). The County has three nonmajor capital project funds: Library Capital Reserve Fund, Library Capital Project Fund, and School Bond Fund-58.

Proprietary Funds are used to account for the County's business-type activities. The County reports the Water and Sewer Fund, the Solid Waste Fund and the Stormwater Fund as major enterprise funds. Proprietary funds also include the following fund types:

Internal Service Funds - Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, on a cost reimbursement basis. The County has three Internal Service Funds, the Health Benefits Fund, Workers' Compensation Fund and the Property and Casualty Fund. The Health Benefits Fund accounts for the accumulation and allocation of costs associated with insurance for employee and family medical and dental claims. The Workers' Compensation Fund accounts for the costs associated with workers' compensation claims. The Property and Casualty Fund accounts for the accumulation and allocation of costs associated with property and casualty insurance and claims for the County.

Fiduciary Funds account for the assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Fiduciary Funds include the following funds:

Pension Trust Fund - The County has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the accumulation of assets and the payment of retirement benefits offered by the County. The Special Separation Allowance Fund is a single-employer, public employee retirement system.

Agency Funds - Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency Funds are used to account for assets the County holds on behalf of others. The County maintains eight Agency Funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Union County Public Schools Board of Education; the Jail Inmate Fund, which accounts for monies deposited and held for individual inmates in the Union County Jail; the Monroe and Union County School District Funds, which account for the ad valorem school tax assessed, and other taxes that the County is required to remit to the Union County Public Schools Board of Education; the Municipal Tax Collection Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities within the County; the Gross Rental Receipts Tax Fund, which accounts for municipalities that levy a local tax on gross receipts derived from the short-term lease or rental of vehicles at retail to the general public, which serves as a substitute to the ad valorem tax previously levied on such property, and the Department of State Treasurer Motor Vehicle Tax Fund which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit monthly to the North Carolina Department of Motor Vehicles, pursuant to G.S. 105-330.4, for technology improvements within the Division of Motor Vehicles.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are

incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund, Solid Waste Fund and the government's internal service funds are charges to customers for sales and services. The principal operating revenue of the Stormwater Fund is General Fund interfund transfers. It is anticipated that fees for stormwater planning services will be charged, eventually. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Fund – N.C. Department of State Treasurer Motor Vehicle Tax Fund. During the year the North Carolina General Assembly enacted House Bill 1779 which provides for the creation of a combined motor vehicle registration renewal and property tax collection system. The Bill called for an increase in the first month's interest on uncollected property taxes on registered motor vehicles. This applied to all property taxes levied on registered motor vehicles. The additional interest collected on behalf of the County was required to be remitted to the Department of State Treasurer and be used by the Division of Motor Vehicles to create a combined registration and collection system. Amounts collected by the County and disbursed to the Department of State Treasurer during the year ended June 30, 2006 were \$19,998 and \$14,739.

Governmental Fund Financial Statements. Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgements, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County generally considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Therefore, the net receivable amount is offset by a deferred revenue. Also, as of January 1, 1993, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2005 through February 2006 apply to the fiscal year ended June 30, 2006. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annually registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the

annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

Those revenues susceptible to accrual are sales taxes and certain intergovernmental revenues, both collected and held by the state at year-end on behalf of the County, and investment earnings. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the County applies all FASB Statements and Interpretations, upon issuance, in all of its governmental and business-type activities and enterprise funds, unless those pronouncements conflict with GASB pronouncements.

D. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund; Hemby Bridge Fire District, Stallings Fire District, Wesley Chapel Fire District, Emergency Telephone System, and Fee Supported Fire Districts Special Revenue Funds and Proprietary Funds (operating funds). All annual appropriations lapse at fiscal year end. Project ordinances (multi-year budgets) are adopted for the General Special Revenue Fund, General Capital Project Fund, Library Capital Project Fund, School Bond Fund-55, School Bond Fund-58 and the Water and Sewer Capital Projects Fund which is consolidated with the enterprise operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for the General and Special Revenue Funds, and at the fund level for the Enterprise and Capital Project Funds. The County Manager is authorized by resolution to transfer appropriations within a department and between department appropriations, within the same fund, without limitation. The County Manager is also authorized to transfer personnel compensation pay plan adjustments, limited to the amount approved by the Board of County Commissioners in the original budget ordinance for the fiscal year, and insurance appropriations both contained in non-departmental to the benefiting departments without limitation. The County Manager is authorized to transfer amounts from contingency, subject to a limitation of \$5,000 per item. The County Manager is authorized to appropriate funds identified as reservations of fund balance as reflected in the prior year's financial statements. The County Manager is also authorized to appropriate funds for grant applications authorized by or grant agreements accepted by the governing body. The County Manager reports to the governing body all budget ordinance transfers, appropriations and adjustments on a monthly basis. During the year, several budget amendments to the original budget became necessary. Budget data presented in the financial statements represent the final authorized amounts as of June 30, 2006. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT).

The County's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Investments

The County pools monies from several funds to facilitate disbursement and investment and maximize investment income.

3. Restricted Assets

The unexpended debt proceeds of the General Fund, General Capital Project Fund, School Bond Fund-55, School Bond Fund-58, and the Water and Sewer Fund's are due to bonds issued by the County which are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued. The restricted assets of the General Special Revenue Fund are unexpended funds, which are restricted for the purpose of drug enforcement.

4. Ad Valorem Taxes Receivable and Deferred Revenues

In accordance with G.S. 105-347 and G.S. 159-13(a), the County levies ad valorem taxes, except for ad valorem taxes on certain vehicles, on July 1, the beginning of the fiscal year. These taxes are due on September 1; however, interest and penalties do not accrue until the following January 6, when property taxes attach as enforceable liens. The taxes are based on the assessed values as of January 1, 2005

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventories

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventory of the County's Enterprise Funds consists of materials and supplies held for consumption. The cost is recorded as an expense when the inventory is consumed.

7. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Purchased or constructed capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Furniture and equipment	5-10
Vehicles	4-5
Land Improvements	20-30
Buildings	25-40
Building Improvements	7-30
Plant Distribution, Collection	25

8. Long-term Obligations (Debt)

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The Water and Sewer Fund's revenue bond and general obligation bond debt service requirements are being met by water and sewer revenues, but the County's taxing power is pledged to make the general obligation debt service payments if water and sewer revenues should ever be insufficient.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

9. Interest Rate Swaps

The County enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

10. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave. The compensatory time policy for overtime hours worked provides for time off in lieu of immediate overtime pay for covered nonexempt employees at the option of the County Manager. Time off may be accrued at the rate of one and one-half hours for each hour of overtime worked. The maximum compensatory time that may be accrued by an affected employee shall be 480 hours (320 actual overtime hours) for nonexempt law enforcement and detention employees and 240 hours (160 actual overtime hours) for all other nonexempt employees. Once the maximums have been met, overtime compensation will be paid for any additional overtime hours worked.

Some Union County employees, because of their job duties, are required to work when other County offices are closed in observance of holidays. Those employees who work during the holidays accrue holiday leave time which may be used at a later date. The County's current practice permits unlimited accumulation of holiday leave time.

Vacation leave, holiday leave and compensatory time are fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for these compensated absences and the salary-related payments are recorded within those funds as the leave is earned.

11. Sick Leave

The County's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. Net Assets / Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts, as these amounts stand at the close of the fiscal year preceding the budget year.

The Governmental Fund types classify fund balances as follows:

Reserved

Reserved for encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts which remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances, which is not available for appropriation under state law [G.S. 159-8(a) and 159-13(b)(16)]. This amount is usually comprised of accounts receivable and interfund receivables which are not offset by deferred revenues.

Reserved for drug enforcement - portion of fund balance representing monies returned from drug enforcement seizures and the Controlled Substance Tax which must be used to enhance the programs of the Sheriff's Department.

Unreserved

Designated for subsequent years' expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2006-2007 budget ordinance.

Designated for special purpose - portion of total fund balance available for appropriation which has been designated for particular programs and projects in the revised 2006-2007 budget ordinance.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds and installment financing payables are not due and payable in the current period, and therefore are not recorded in the funds. The details of this \$271,668,726 difference are as follows:

Description	Amount
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds and installment financing principal payments	\$ (270,398,650)
Accrued interest payable, net of unamortized bond issuance costs	(1,270,076)
Net adjustment attributable to liabilities not recorded in the fund statements	<u>\$ (271,668,726)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$21,046,235 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 10,550,075
Transfer of asset(s) between governmental activities and business-type activities	(1,399)
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(3,515,402)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences are as follows:	
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	13,730,879
Debt issuance premium amortization	290,559
Debt issuance costs are recorded as a use of funds on the fund statements but again do not affect the Statement of Net Assets in the government-wide statements until amortized	11,077
Defeasance amortization over remaining life of debt	(347,688)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	500,257
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(257,329)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Reversal of deferred tax revenue recorded at 7/1/05	(2,060,492)
Recording of tax receipts deferred in the fund statements as of 6/30/06	2,394,586
Decrease in accrued taxes receivable for year ended 6/30/06	(17,663)
Loss on disposal of capital asset	(16,140)
Health and dental insurance costs, net of investment earnings	(74,846)
Workers' compensation costs, net of investment earnings	(264,857)
Property and casualty costs, net of investment earnings	124,618
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets-governmental activities	<u>\$ 21,046,235</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

The County pools cash resources into a centralized cash account (Central Depository) to facilitate the management of cash and maximize investment income. The Central Depository is used by all funds except the Social Services Fund and the Jail Inmate Fund. Each fund owns a pro rata share of the cash and investments, and the amount applicable to a particular fund is readily identifiable. Allocation of investment income is made to each fund based on its pro rata share.

The Social Services Fund and the Jail Inmate Fund monies are each held in official depositories of the County in separate accounts for the benefit of certain individuals.

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County does not have policies regarding custodial credit risk for deposits.

At June 30, 2006, the County's deposits had a carrying amount of \$3,151,052 and a bank balance of \$4,009,942. Of the bank balance, \$291,703 was covered by federal depository insurance and \$3,718,239 in interest bearing deposits were covered by collateral held under the Pooling Method. Also, at June 30 2006, the County had \$7,590 cash on hand.

As of June 30, 2006, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than			
		6 Months	6-12 Months	1 - 3 Years	3 - 5 Years
US Government Agencies	\$ 110,856,287	\$ 24,545,838	\$ 48,160,449	\$ 34,462,152	\$ 3,687,848
Commercial Paper	5,754,457	5,754,457	-	-	-
NC Cash Management Trust - Cash Portfolio	21,359,745	n/a	n/a	n/a	n/a
NC State Education Assistance Authority	14,300,000	14,300,000	-	-	-
Money Market/Municipal Bonds	3,982	3,982	-	-	-
Total:	<u>\$ 152,274,471</u>	<u>\$ 44,604,277</u>	<u>\$ 48,160,449</u>	<u>\$ 34,462,152</u>	<u>\$ 3,687,848</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits investments to maturities of no more than five years. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than five years.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2006, the County's investments in commercial paper were rated, by at least two of the following three; P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2006. The County's investments in US Agencies (Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal Farm Credit Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no investments with custodial credit risk. The County has no policy on custodial credit risk.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. More than 5 percent of the County's investments are in Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and North Carolina Capital Management Trust securities. These investments are 36.2%, 19.3%, 16.0 and 14.0% respectively of the County's total investments.

NOTE 4 - RECEIVABLES

A. Receivables and Allowances for Doubtful Accounts

Receivables and their associated allowance for doubtful accounts at the government-wide level at June 30, 2006, were as follows:

	Accounts	Taxes	Internal balances	Total
<u>Governmental Activities:</u>				
General	\$ 11,946,827	\$ 2,917,091	\$ 260,282	\$ 15,124,200
Special Revenue	250,076	34,386	-	284,462
Capital Projects	104,732	-	-	104,732
Internal Service	169,253	-	-	169,253
Total Receivables	<u>12,470,888</u>	<u>2,951,477</u>	<u>260,282</u>	<u>15,682,647</u>
Allowance for doubtful accounts	-	(574,554)	-	(574,554)
Total-governmental activities	<u>\$ 12,470,888</u>	<u>\$ 2,376,923</u>	<u>\$ 260,282</u>	<u>\$ 15,108,093</u>
<u>Business-type Activities:</u>				
Water and Sewer	\$ 5,477,173	\$ -	\$ (222,180)	\$ 5,254,993
Solid Waste	608,720	-	(35,593)	573,127
Stormwater	-	-	(2,509)	(2,509)
Total Receivables	<u>6,085,893</u>	<u>-</u>	<u>(260,282)</u>	<u>5,825,611</u>
Allowance for doubtful accounts	(1,213,404)	-	-	(1,213,404)
Total-business-type activities	<u>\$ 4,872,489</u>	<u>\$ -</u>	<u>\$ (260,282)</u>	<u>\$ 4,612,207</u>

B. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, the County may tax agriculture, horticulture, and forestland at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2002	\$ 1,293,920	\$ 423,759	\$ 1,717,679
2003	1,450,434	344,478	1,794,912
2004	4,153,647	612,663	4,766,310
2005	4,661,934	268,061	4,929,995
	<u>\$ 11,559,935</u>	<u>\$ 1,648,961</u>	<u>\$ 13,208,896</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2006, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
<u>Governmental activities:</u>					
Capital assets not being depreciated:					
Land	\$ 5,457,456	\$ 3,067,111	\$ -	\$ -	\$ 8,524,567
Construction in progress	3,689,473	4,824,185	-	(6,119,207)	2,394,451
Total capital assets not being depreciated	<u>9,146,929</u>	<u>7,891,296</u>	<u>-</u>	<u>(6,119,207)</u>	<u>10,919,018</u>
Capital assets being depreciated:					
Other improvements	3,760,070	-	-	-	3,760,070
Buildings	48,954,829	1,381,525	-	5,840,634	56,176,988
Furniture and equipment	9,838,754	454,121	79,670	278,573	10,491,778
Vehicles	6,119,239	823,133	629,454	-	6,312,918
Total capital assets being depreciated	<u>68,672,892</u>	<u>2,658,779</u>	<u>709,124</u>	<u>6,119,207</u>	<u>76,741,754</u>
Less accumulated depreciation for:					
Other improvements	1,804,474	108,203	-	-	1,912,677
Buildings	12,380,062	1,778,301	-	-	14,158,363
Furniture and equipment	5,124,552	948,072	63,530	-	6,009,094
Vehicles	4,069,656	680,826	628,055	-	4,122,427
Total accumulated depreciation	<u>23,378,744</u>	<u>3,515,402</u>	<u>691,585</u>	<u>-</u>	<u>26,202,561</u>
Total capital assets being depreciated, net	<u>45,294,148</u>	<u>(856,623)</u>	<u>17,539</u>	<u>6,119,207</u>	<u>50,539,193</u>
Governmental activities capital assets, net	<u>\$ 54,441,077</u>	<u>\$ 7,034,673</u>	<u>\$ 17,539</u>	<u>\$ -</u>	<u>\$ 61,458,211</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 1,523,816
Public safety	795,667
Economic and physical development	119,582
Human services	84,090
Cultural and recreational	992,247
Total depreciation expense	<u>\$ 3,515,402</u>

Capital asset activity for the business-type activities for the year ended June 30, 2006, was as follows:

Business-type activities:	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Water and Sewer					
Capital assets not being depreciated:					
Land	\$ 1,164,561	\$ -	\$ -	\$ -	\$ 1,164,561
Construction in progress	4,671,758	23,673,695	-	(17,384,222)	10,961,231
Total capital assets not being depreciated	<u>5,836,319</u>	<u>23,673,695</u>	<u>-</u>	<u>(17,384,222)</u>	<u>12,125,792</u>
Capital assets being depreciated:					
Plant and collection systems	95,668,872	14,542,255	-	2,020,185	112,231,312
Plant and distribution systems	69,296,475	9,359,342	-	15,270,787	93,926,604
Equipment	2,556,828	56,499	73,504	93,250	2,633,073
Vehicles	2,606,946	271,785	151,106	-	2,727,625
Total capital assets being depreciated	<u>170,129,121</u>	<u>24,229,881</u>	<u>224,610</u>	<u>17,384,222</u>	<u>211,518,614</u>
Less accumulated depreciation for:					
Plant and collection systems	18,760,824	3,312,002	-	-	22,072,826
Plant and distribution systems	15,646,236	2,541,828	-	-	18,188,064
Equipment	1,671,930	176,588	73,504	-	1,775,014
Vehicles	1,871,069	320,242	195,260	-	1,996,051
Total accumulated depreciation	<u>37,950,059</u>	<u>6,350,660</u>	<u>268,764</u>	<u>-</u>	<u>44,031,955</u>
Total capital assets being depreciated, net	<u>132,179,062</u>	<u>17,879,221</u>	<u>(44,154)</u>	<u>17,384,222</u>	<u>167,486,659</u>
Water and Sewer capital assets, net	<u>138,015,381</u>	<u>41,552,916</u>	<u>(44,154)</u>	<u>-</u>	<u>179,612,451</u>
Solid Waste					
Capital assets not being depreciated:					
Land	310,055	-	-	-	310,055
Construction in progress	650	-	-	-	650
Total capital assets not being depreciated	<u>310,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,705</u>
Capital assets being depreciated:					
Other improvements	80,074	-	-	-	80,074
Plant and collection systems	1,931,983	-	-	-	1,931,983
Equipment	1,514,597	-	120,000	-	1,394,597
Vehicles	927,679	31,961	9,763	-	949,877
Total capital assets being depreciated	<u>4,454,333</u>	<u>31,961</u>	<u>129,763</u>	<u>-</u>	<u>4,356,531</u>
Less accumulated depreciation for:					
Other improvements	14,337	2,281	-	-	16,618
Plant and collection systems	890,967	87,950	-	-	978,917
Equipment	1,478,112	5,965	120,000	-	1,364,077
Vehicles	822,040	35,820	(22,199)	-	880,059
Total accumulated depreciation	<u>3,205,456</u>	<u>132,016</u>	<u>97,801</u>	<u>-</u>	<u>3,239,671</u>
Total capital assets being depreciated, net	<u>1,248,877</u>	<u>(100,055)</u>	<u>31,962</u>	<u>-</u>	<u>1,116,860</u>
Solid Waste capital assets, net	<u>1,559,582</u>	<u>(100,055)</u>	<u>31,962</u>	<u>-</u>	<u>1,427,565</u>
Storm Water					
Capital assets not being depreciated:					
Construction in progress	-	6,314	-	-	6,314
Total capital assets not being depreciated	<u>-</u>	<u>6,314</u>	<u>-</u>	<u>-</u>	<u>6,314</u>
Capital assets being depreciated:					
Vehicles	-	10,792	-	-	10,792
Total capital assets being depreciated	<u>-</u>	<u>10,792</u>	<u>-</u>	<u>-</u>	<u>10,792</u>
Less accumulated depreciation for:					
Vehicles	-	-	(10,792)	-	10,792
Total accumulated depreciation	<u>-</u>	<u>-</u>	<u>(10,792)</u>	<u>-</u>	<u>10,792</u>
Total capital assets being depreciated, net	<u>-</u>	<u>10,792</u>	<u>10,792</u>	<u>-</u>	<u>-</u>
Storm Water capital assets, net	<u>-</u>	<u>17,106</u>	<u>10,792</u>	<u>-</u>	<u>6,314</u>
Business-type activities capital assets, net	<u>\$ 139,574,963</u>	<u>\$ 41,469,967</u>	<u>\$ (1,400)</u>	<u>\$ -</u>	<u>\$ 181,046,330</u>

Interest and fees incurred for the Water and Sewer Fund for the year ended June 30, 2006 consisted of the following:

Capitalized interest	\$ 486,858
Other interest and fees	2,609,533
Total interest and fees costs	<u>\$ 3,096,391</u>

NOTE 6 – LIABILITIES

Payables at the government-wide level at June 30, 2006, including liabilities payable from restricted assets, were as follows:

Payables:	Governmental Activities	Business Type Activities	Total
Vendors	\$ 16,109,130	\$ 3,700,871	\$ 19,810,001
Salaries and benefits	1,195,537	157,239	1,352,776
Accrued Interest	3,069,016	267,294	3,336,310
Total	<u>\$ 20,373,683</u>	<u>\$ 4,125,404</u>	<u>\$ 24,499,087</u>

NOTE 7 - PENSION PLAN OBLIGATIONS

A. Local Governmental Employees’ Retirement System

Description

The County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute 6% of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 5.27% respectively, of annual covered payroll. The contribution requirements of members and of the County are established and may be amended by the North Carolina General Assembly. The County’s contributions to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$1,556,527, \$1,481,253, and \$1,356,403 respectively. The contributions made by the County equaled the required contributions for each year.

B. Special Separation Allowance

Description

The County administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the County’s qualified employees. The Separation Allowance was enacted by the General Assembly on January 1, 1987 for law enforcement officers. The Union County Board of Commissioners extended this benefit to all County employees effective July 1, 1990. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the employee for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the County’s report as a pension trust fund. The Separation Allowance does not issue separate financial statements.

All permanent full-time and permanent part-time County employees are covered by the Separation Allowance. At December 31, 2005, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	49
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>886</u>
Total	<u>935</u>

Summary of Significant Accounting Policies

Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. Short-term debt instruments, deposits, repurchase agreements, and the North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$707,756 or 2.26% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the fiscal year ended June 30, 2006 was determined as part of the December 31, 2005 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% to 14.7% per year. The inflation component was 3.75%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2005 was 25 years. The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 457,930
Interest on net pension obligation	(18,790)
Adjustment to annual required contribution	<u>14,886</u>
Annual pension cost	454,026
Contributions made	<u>(707,756)</u>
Increase (decrease) in net pension obligation	(253,730)
Net pension obligation - beginning of year	<u>(259,178)</u>
Net pension obligation - end of year	<u>\$ (512,908)</u>

Three year trend information:

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation/(Credit) End of Year
June 30, 2004	\$ 356,183	118%	\$ 234,760
June 30, 2005	406,030	106%	259,178
June 30, 2006	454,026	156%	512,908

C. Supplemental Retirement Income Plan

Description

All regular full-time and regular part-time Union County employees participate in the Supplemental Retirement Income Plan (401-K), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to law enforcement officers employed by the County, and the Union County Board of County Commissioners has agreed to extend this benefit to all non-law enforcement employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 5% of each officer's salary and the Union County Board of County Commissioners has agreed to contribute an equal amount for all regular full-time and regular part-time non-law enforcement employee salaries. All amounts contributed are vested immediately. County employees may also make voluntary contributions to the plan. Contributions for the year ended June 30, 2006 were \$2,425,756, which consisted of \$1,589,590 from the County and \$836,166 from employees.

D. Register of Deeds' Supplemental Pension Fund

Description

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution pension plan administered by the North Carolina Department of State Treasurer. The fund provides supplemental pension benefits to any eligible County register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy

On a monthly basis, the County remits to the Department of the State Treasurer an amount equal to 4.5% of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of the State Treasurer divides 93% of the amount in the fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the fund's assets may be used by the State Treasurer in administering the fund. For the fiscal year ended June 30, 2006, the County's required and actual contributions were \$79,516.

NOTE 8 – DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation distribution is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 9 - POST-EMPLOYMENT BENEFITS

A. Health Care Benefits

Under the terms of a Board of Commissioner's Personnel Resolution, the County has elected to provide post-retirement health care benefits to retirees of the County who participate in the LGERS and have at least five years of creditable service with the County. Retirees younger than 65 years of age are provided benefits through the County's self insured group health and dental plan. The County pays the full cost of coverage for these benefits on a pay-as-you-go basis. Also, retirees can purchase coverage for their

dependents at the County's group rates. Currently, 103 retirees younger than 65 years of age are receiving post-retirement health and dental benefits. For the fiscal year ended June 30, 2006, the County made contributions of \$539,000 for post-retirement health benefits. The County pays the full cost of a Supplement to Medicare plan for retirees age 65 years and older. No dependents are eligible for the plan benefit and the plans are individually underwritten. Currently, 72 retirees older than 65 years of age are receiving post-retirement health benefits. For the fiscal year ended June 30, 2006, the County made payments of \$262,619 for the Supplement to Medicare plans.

B. Death Benefits

Under the terms of the Board of Commissioner's resolution, the County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2006, the County made contributions to the State for death benefits of \$31,367. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

NOTE 10 – CLOSURE AND POST CLOSURE CARE COSTS-LANDFILL FACILITY

State and federal laws and regulations required the County to place a final cover on its landfill facility when it stopped accepting municipal solid waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure of the municipal solid waste collection cell. The County has continued to collect construction and demolition waste in different cells which are opened based on demand and closed when each cell reaches its capacity. Closure and post closure care costs have been accumulated up to the dates of closure for each of the cells; therefore, the County has reported a portion of these closure and post closure care costs as an operating expense in each prior period based on landfill capacity used as of each balance sheet date. The County stopped accepting municipal solid waste into its Austin-Chaney Road facility, permit number 90-01, on December 31, 1997. The site still serves as a transfer station for the collection of local municipal solid waste, which is transported to other sites outside of the County. The \$2,545,765 reported as landfill post closure care liability at June 30, 2006 represents a cumulative liability amount reported to date, based on the use of 100% of the total estimated capacity of the landfill. At June 30, 2006 there was a decrease of \$274,527 from the prior year. The liability represents the estimated present value of the amount needed to fund the post closure care costs that will be incurred during the 30 year period after closure. Actual post closure costs may be higher due to inflation, changes in technology or changes in regulations.

The County has met and continues to meet the requirements of a local government financial test that is one option under state and federal laws and regulations that helps determine if a unit is financially able to meet closure and post closure care requirements. The County elected to establish a reserve fund several years ago to accumulate resources for the payment of closure and post closure care costs. The actual landfill closure costs have been substantially less than engineering estimates due to use of County personnel for closure activities and proper planning for closure. The Solid Waste Capital Reserve Fund has remaining funds being held in investments with a fair value of \$4,547,419. The County expects that

future inflation costs will be paid from the interest earnings on these remaining funds. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future transfer station users or by future tax revenues.

NOTE 11 - COMMITMENTS

A. Contractual Commitments

The County had several outstanding projects as of June 30, 2006. At year end the significant contractual commitments include the following:

Project	Spent to Date	Remaining Commitment
<u>General Fund:</u>		
MVP Tax Software	\$ 116,335	\$ 285,360
<u>Emergency Telephone System Fund:</u>		
Fly-over Orthographic Photography Project	288,663	298,698
<u>General Capital Projects Fund:</u>		
Jesse Helms Phase III	-	1,378,000
Government Facility Renovations	164,647	1,316,546
Animal Shelter	994,466	237,405
<u>Water Capital Projects:</u>		
County Wide Trans Main Phase I	11,536,803	617,058
Hwy 218 Water Lines	1,066,804	1,092,660
North County Tank Farm & PS	239,076	133,037
Hwy 218 Water Main	-	155,520
<u>Sewer Capital Projects:</u>		
Expand 12 Mile 6MGD	5,775,222	16,904,929
Hunley Creek Offline	1,452,364	969,882
Northern Union County	556,832	244,587
Tallwood UV Improvements	30,960	133,775
Total	\$ 22,222,172	\$ 23,767,457

The tax software project is a commitment of the General Fund and is funded by General Fund monies. The fly-over orthographic photography project is a commitment of the Emergency Telephone System Fund and its monies. The General capital projects are commitments of the General Capital Projects Fund and are funded by a combination of certificates of participation, general obligation bonds, grants and General Fund monies. The Water and Sewer capital projects are commitments of the County's Water and Sewer Capital Projects Fund and are funded by a combination of revenue bonds and other enterprise fund monies.

B. Other Commitments

The County has an economic development and incentive grants program that is offered to companies meeting certain agreed upon criteria. Amounts to be paid in the future under these agreements are not readily determinable; however, management and internal audit estimates a range of \$671,000 to \$971,000 and expects the payments to be made over the next four years.

NOTE 12 - RISK MANAGEMENT

The County is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for these risks of loss, with the exception of injuries to employees. The County self-insures workers' compensation, medical and dental claims and purchases stop-loss insurance for workers' compensation and medical claims that exceed certain amounts.

There has been no significant reduction in insurance coverage from the previous year and settled claims have not exceeded insurance policy limits in the last three years.

The County has established three Internal Service Funds to account for self-insured risk financing. Funding of the Health Benefit Fund is based upon an analysis of historical and projected medical and dental claims paid by the third party administrator and the availability of unrestricted net assets to fund projected claims. Funding of the Workers' Compensation Fund is based upon payroll rates established by the State of North Carolina and the availability of unrestricted net assets to fund projected claims. Funding of the Property and Casualty Fund is based upon experience and exposure risks associated with County operations and the availability of unrestricted net assets to fund projected claims.

The County's medical benefits are self-insured with specific claims exceeding \$125,000 and aggregate claims exceeding \$4,569,228 covered by stop-loss insurance. Claims are administered under a contract with a third party administrator. Claim reserves at the end of the plan year (currently June 30) are established based on a combination of insurance industry standards and the County and third party administrator's analysis of claims submission, processing and payment.

The County's workers' compensation is self-insured with non-law enforcement claims exceeding \$300,000 and law enforcement claims exceeding \$350,000 both being covered by stop-loss insurance which provides statutory benefits. Claims are administered under contract with a third party administrator. Claim reserves are established when an injury occurs and the ultimate expected liability of each claim can be reasonably estimated by the third party claims administrator.

The County carries commercial insurance for its exposure to various risks related to torts, theft, damage to and destruction of assets and errors and omissions.

Unpaid liabilities at year end are as follows:

	Health Benefit Fund		Workers' Compensation Fund		Property & Casualty Fund	
	Year Ended June 30, 2006	Year Ended June 30, 2005	Year Ended June 30, 2006	Year Ended June 30, 2005	Year Ended June 30, 2006	Year Ended June 30, 2005
Unpaid Claims beginning of fiscal year	\$ 649,769	\$ 423,000	\$ 39,983	\$ 71,589	\$ -	\$ -
Incurring claims and premiums	5,927,279	4,923,198	377,171	154,236	605,877	669,288
Claims and premiums paid	(5,859,648)	(4,696,429)	(289,117)	(185,842)	(605,877)	(669,288)
Unpaid Claims end of fiscal year	<u>\$ 717,400</u>	<u>\$ 649,769</u>	<u>\$ 128,037</u>	<u>\$ 39,983</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 13 - CLAIMS AND JUDGEMENTS

The County was a defendant in various matters of litigation as of June 30, 2006. While any litigation contains an element of uncertainty, County officials believe that the outcome of any lawsuit or claim which is pending, or all of them combined, will not have a materially adverse effect on the County's financial condition or operations. In addition, there are known incidents that may result in the assertion of claims, as well as claims from unknown incidents that may be asserted for which the County could be liable for a material amount. However, since such claims have not been asserted and are not determinable or measurable, no provision for loss has been included in the financial statements. Also, County officials believe the County's insurance is adequate for the actual or pending lawsuits or claims mentioned above.

NOTE 14 - OPERATING LEASES

The County has entered into a 20 year agreement with Anson County for the use of a 20-inch water line to the County. The County has agreed to pay 70% of the actual principal and interest due on the installment financing arranged by Anson County. The County has also entered into a 25 year agreement with the City of Charlotte (CMUD) for the treatment of wastewater in the Six Mile Creek drainage basin located within both Union and Mecklenburg Counties. Under the agreement, the County is responsible for one sixteenth of the debt service on debt issued by the City of Charlotte to construct the new outfall lines and plant expansion. In consideration for the debt service payments made by the County, the County receives the exclusive right to convey up to 1 million gallons per day of wastewater into the McAlpine Creek Waste Water Treatment Plant at cost. The County can increase its allocation up to a

maximum of three million gallons per day by the assumption of additional debt service used to construct the McAlpine Creek WWTP, outfall lines and pump stations. Rents paid under all operating leases totaled \$1,138,707 for the year ended June 30, 2006.

Minimum future lease payments are as follows:

Year Ending June 30	Anson County	CMUD	Other
2007	\$ 164,153	\$ 205,456	\$ 733,462
2008	164,153	205,456	575,238
2009	164,153	205,456	506,105
2010	164,153	205,456	484,235
2011	164,153	205,456	487,755
2012-2016	328,307	1,027,279	1,991,015
2017-2021	-	1,027,279	-
2022-2026	-	792,328	-
Thereafter	-	127,139	-
	<u>\$ 1,149,072</u>	<u>\$ 4,001,305</u>	<u>\$ 4,777,810</u>

On July 17, 1997, Union County entered into a lease agreement for the premises known as Union Village. This facility houses most of the offices of the Department of Social Services and the Health Department. Payments made under this lease are included in the schedule of minimum lease payments. This lease agreement expires on June 30, 2015, but can be extended for two successive five-year periods. The premises include additional space, which is subleased to Piedmont Area Mental Health under a sublease agreement entered into on October 5, 1998. This agreement is coterminous with the July 17, 1997 lease agreement. The sublessee is required to extend the sublease agreement if Union County elects to exercise the option to extend the term of the original lease agreement. Amounts received under this agreement totaled \$333,000 during the fiscal year ended June 30, 2006. During the remaining term of the sublease agreement, rent paid by sublessee shall be increased or decreased based on the rent paid as of the expiration of the preceding one-year period in the same percentage as the percentage change in the cost of living index for the month of June just prior to the preceding one-year term until the month of June just prior to the current term. The cost of living index shall be measured by the Personal Consumption Expenditure (PCE) index as published in The Wall Street Journal.

NOTE 15 - LONG - TERM OBLIGATIONS

A. General Obligation Bonds, Certificates of Participation, Revenue Bonds' Indebtedness, and Derivatives

The general obligation bonds, installment financing and certificates of participation (COPs) for school facilities, watershed improvement and various general government capital projects and items are serviced by the General Fund. The general obligation bonds and revenue bonds issued to finance the construction of facilities or purchase equipment utilized in the operations of the water and sewer systems are being retired by their resources. Principal and interest requirements are appropriated when due for all debt. The general obligation bonds are collateralized by the full faith, credit and taxing power of the County. The revenue bonds are secured by the pledge of net revenues derived from the acquired or constructed assets of the water and sewer system. The derivatives are interest swap agreements with the objective of protecting Union County against the risk of interest rate changes in connection with variable rate debt and to effect lower debt service costs on the County's fixed rate debt. Any derivative that the County enters into must first have the approval of the Local Government Commission (LGC) and the County Commissioners. The COPs and Installment Financing are collateralized by the assets financed and are not secured by the taxing power of the County. The COPs require the County to follow customary covenants including providing insurance certificates, budget data and financial information on an annual basis. The other long-term obligation, the North Carolina Clean Water Revolving Loan, is described further in Note 15. E.

1. Long-term obligations at June 30, 2006 are comprised of the following individual issues:

	Issue Date	Due Serially To	Interest Rate	Original Issue	Principal Balance June 30, 2006	Principal and Unamortized Balances (See Note 15.A.3.) June 30, 2006
1. General Obligation Bonds						
1973 Watershed Improvement Bonds	June 01, 1973	June 01, 2008	3.463%	\$ 400,000	\$ 16,500	\$ 16,500
1992 Refunding Bonds (Water)	June 01, 1992	June 01, 2008	7.50%	1,077,000	307,900	307,900
1996 Refunding Bonds (School Facility)	Nov. 01, 1996	May 01, 2011	4.75% - 5.20%	11,340,560	3,518,592	3,518,592
1996 Refunding Bonds (Water)	Nov. 01, 1996	May 01, 2011	4.75% - 5.20%	11,424,720	3,544,704	3,515,930
1996 Refunding Bonds (Sanitary Sewer)	Nov. 01, 1996	May 01, 2011	4.75% - 5.20%	3,534,720	1,096,705	1,086,895
1999 Refunding Bonds (School Facility)	Sept. 01, 1999	March 01, 2011	4.4% - 5.0%	14,673,549	8,565,199	8,565,199
1999 Refunding Bonds (Water)	Sept. 01, 1999	March 01, 2011	4.4% - 5.0%	5,961,452	3,479,800	3,458,143
1999 School Facility - Series A	Sept. 01, 1999	March 01, 2009	5.0% - 5.2%	4,050,000	600,000	600,000
1999 School Facility - Series B	Sept. 01, 1999	March 01, 2009	5.0% - 5.2%	26,000,000	2,700,000	2,700,000
2001 School Facility Bonds (d)	March 01, 2001	March 01, 2020	4.00% - 4.75%	56,700,000	47,700,000	47,700,000
2004 Refunding Bonds (School Facilities)	June 01, 2004	June 01, 2016	2.50% - 4.125%	14,976,804	14,026,416	13,770,779
2004 Refunding Bonds (Sanitary Sewer)	June 01, 2004	June 01, 2016	2.50% - 4.125%	3,303,196	3,093,584	3,033,551
2004 School Facility - Series A (c, h)	Dec. 14, 2004	March 01, 2029	Variable	48,265,000	47,130,772	47,130,772
2004 Law Enf. Facility - Series A (c, h)	Dec. 14, 2004	March 01, 2029	Variable	1,735,000	1,694,228	1,694,228
2004 Refunding Bonds (School Facility) (a,c,h)	Dec. 14, 2004	March 01, 2020	Variable	21,630,000	21,450,000	19,864,120
2005 School Facility - Series A (h)	June 13, 2005	March 01, 2030	Variable	50,000,000	48,000,000	48,000,000
2005 School Facility - Series B (h)	June 13, 2005	March 01, 2030	Variable	20,000,000	19,200,000	19,200,000
2005 School Facility - Series C (h)	June 13, 2005	March 01, 2030	Variable	20,000,000	19,200,000	19,200,000
					<u>245,324,400</u>	<u>243,362,609</u>
2. General Obligation Commercial Paper Bond Anticipation Notes						
2006 Commercial Paper BAN's (C-1)	June 14, 2006	Dec. 05, 2006	3.58%	4,495,000	4,495,000	4,495,000
2006 Commercial Paper BAN's (C-2)	June 29, 2006	Dec 12, 2006	3.72%	9,000,000	9,000,000	9,000,000
					<u>13,495,000</u>	<u>13,495,000</u>
3. Installment Financing						
2003 Multi-purpose COP's (d)	June 15, 2003	June 01, 2025	2.0% - 5.0%	43,760,000	37,195,000	38,256,834
2004 Installment Financing (Law Enforcement)	June 15, 2004	May 15, 2009	Variable	306,170	181,626	181,626
					<u>37,376,626</u>	<u>38,438,460</u>
4. Revenue Bonds						
2003 Enterprise System - Series A	June 12, 2003	June 01, 2029	2.0% - 5.0%	33,130,000	30,800,000	31,460,233
2003 Refunding Enterprise System - Series B (b,h)	June 12, 2003	June 01, 2021	Variable	20,935,000	18,570,000	16,530,925
					<u>49,370,000</u>	<u>47,991,158</u>
5. Other Long-term Obligations (Note 15. E.)						
North Carolina Clean Water Revolving Loan	June 01, 1998	June 30, 2017	5.30%	4,673,933	2,570,663	2,570,663
					<u>2,570,663</u>	<u>2,570,663</u>
Total General Obligation Bonds, Certificates of Participation, Revenue Bonds and Other Long-term Obligation					<u>\$ 348,136,689</u>	<u>\$ 345,857,890</u>

- (a) On December 14, 2004, the County issued general obligation refunding bonds totaling \$21,630,000 with an interest rate of 3.425 to partially advance refund the 1999 (A & B) School serial bonds with interest rates on the refunded issues ranging from 5.1 to 5.4%. The proceeds of the new bond issues were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the bonds described above are considered to be partially defeased and the liability for the defeased portion of the bonds has been removed from the balance sheet. The advanced refunding reduced cash flow required for debt service on the general obligation bonds by \$1,840,165. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$1,410,198. On June 30, the principal outstanding on the refunded bonds was \$19,850,000 and the amount held in escrow by the escrow agent was \$20,960,445.
- (b) Derivative Disclosure - Pay-Fixed, Receive-Variable Interest Rate Swap Agreement dated May 14, 2003 and effective June 12, 2003 – Assumptions

Objective of the interest rate swap. As a means to lower the County's borrowing costs and increase its savings, when compared to fixed-rate refunding bonds at the time of issuance in June 2003, the County of Union entered into an interest rate swap in connection with its \$20,935,000 Variable Rate Enterprise Systems Revenue Refunding Bonds, Series 2003B (the "Bonds"). The intention of the swap agreement was to effectively change the County's interest rate on the Bonds to a synthetic fixed rate of 2.995%, excluding liquidity, remarketing, and other fees associated with the Bonds.

Terms. Under the terms of a swap agreement dated May 14, 2003 and effective June 12, 2003, Citibank, N.A. New York ("Citibank") pays the County of Union 61.5% of USD-LIBOR-BBA plus a fixed spread of 0.36% semi-annually on the notional amount of \$20,935,000. On a semiannual basis, the County of Union pays Citibank interest at the fixed rate of 2.995%. The notional value of the swap and the principal amount of the associated debt decline in unison over the term of the swap agreement and Bonds. The notional amount of the swap reduces annually; the reductions begin on June 1, 2004, and end on June 1, 2021. The agreement matures June 1, 2021. As of June 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to Citibank	Fixed	2.995%
Variable payment from Citibank	61.5% LIBOR + 0.36%	<u>(3.641%)</u>
Net interest rate swap payments		(0.646%)
Variable rate bond coupon payments	Bond Rate	<u>3.950%</u>
Synthetic interest rate on Bonds		<u>3.304%</u>

Fair Value. As of June 30, 2006, the agreement had a positive fair value of \$956,473. This mark-to-market valuation was established by market quotations obtained by the counterparty, representing estimates of the amounts that would be paid or received for replacement transactions.

Credit Risk. The swap agreement's positive fair value represented the County's credit exposure to Citibank as of June 30, 2006. Should Citibank fail to perform according to the terms of the swap agreement, the County would face a possible loss approximately equivalent to the swap agreement's positive fair value, if any, at the time of any failure to perform. Citibank, rated "Aa1" by Moody's Investor's Service, "AA-" by Standard and Poor's Ratings Services, and "AA+" by Fitch Ratings as of June 30, 2006, will collateralize any market value positive to the County of Union over a predetermined threshold that varies depending on Citibank's ratings. At Citibank's current ratings, such threshold is \$20,000,000.

Basis Risk. The County of Union receives 61.5% of USD-LIBOR-BBA plus a fixed spread of 0.36% from Citibank and pays the Bond Rate to its bondholders set by the remarketing agent. The County of Union is exposed to basis risk when its Bonds begin to trade at a yield which exceeds 61.5% of LIBOR plus 0.36%. In the event of such an occurrence, the County will experience an increase in debt service above the fixed rate on the swap.

Termination Risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, including but not limited to failure to pay, bankruptcy, and downgrade below the "BBB" credit rating category. Termination could result in the County of Union being required to make an unanticipated termination payment.

Swap payments and associated debt: Using rates as of June 30, 2006, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate Swaps, Net *	Total
	Principal	Interest		
2007	\$ 1,240,000	\$ 733,515	\$ (119,962)	\$ 1,853,553
2008	1,235,000	684,535	(111,952)	1,807,583
2009	1,230,000	635,753	(103,974)	1,761,779
2010	1,220,000	587,168	(96,028)	1,711,140
2011	1,210,000	538,978	(88,147)	1,660,831
2012-2016	5,885,000	1,988,827	(325,260)	7,548,567
2017-2021	6,550,000	793,161	(129,718)	7,213,443
Total	<u>\$ 18,570,000</u>	<u>\$ 5,961,937</u>	<u>\$ (975,041)</u>	<u>\$ 23,556,896</u>

* Computed using $(2.995\% - 3.641\%) \times (\$18,570,000 - \text{annual reduction})$

- (c) Derivative Disclosure - Multiple Pay-Fixed, Receive-Variable Interest Rate Swap Agreements effective December 14, 2004 – Assumptions

Objective of the interest rate swap. As a means to lower the County's borrowing costs when compared to fixed-rate bonds at the time of issuance in December 2004 and as a means of achieving refunding savings, the County entered into multiple interest rate swaps in connection with its \$50,000,000 Variable Rate General Obligation Bonds, Series 2004A and \$21,630,000 Variable Rate General Obligation Refunding Bonds, Series 2004B (together, the "2004 Bonds"). The intention of the swap agreements was to effectively change the County's interest rate on the 2004 Bonds to a synthetic fixed rate of 3.425%, excluding liquidity, remarketing, and other fees associated with the Bonds.

Terms. Under the terms of the swap agreements effective December 14, 2004, the County pays Wachovia Bank, National Association (50% of the total notional amount), Citibank, N.A. (25% of the total notional amount) and Bank of America N.A. (25% of the total notional amount) (collectively, the "Counterparties") fixed payments of 3.425% and receives the following floating amounts:

From the agreements' effective dates and ending before July 1, 2009, the lesser of Index I or Index II.

From the agreements' effective dates and ending after July 1, 2009, Index II

Index I: The actual weekly remarketed 7 Day rates on the 2004 Bonds

Index II: The greater amount of 67% of USD-LIBOR-BBA or 63% of USD-LIBOR-BBA plus .20% (together the "Libor Index")

The notional value of the swap agreements and the principal amount of the associated debt decline in unison over the term of the swap agreements and 2004 Bonds. The swap agreements are subject to yield adjustments in certain circumstances described above. Such yield adjustments may increase the County's interest cost. On a semiannual basis, the County pays the Counterparties interest at the fixed rate of 3.425%. The notional amount of the swaps reduces annually; the reductions begin on March 1, 2006, and end on March 1, 2029. The agreements mature March 1, 2029. As of June 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to Counterparties	Fixed	3.425%
Variable payment from Counterparties	See above	<u>(3.574%)</u>
Net interest rate swap payments		(0.149%)
Variable rate bond coupon payments	Bond Rate	<u>3.950%</u>
Synthetic interest rate on Bonds		<u>3.801%</u>

Fair Value. As of June 30, 2006, the swap agreements had a positive fair value of \$2,116,557. This mark-to-market valuation was established by market quotations obtained by the Counterparties, representing estimates of the amounts that would be paid or received for replacement transactions.

Credit Risk. The swap agreements' positive fair value represented the County's credit exposure to the Counterparties as of June 30, 2006. Should the Counterparties fail to perform according to the terms of the swap agreements, the County would face a possible loss approximately equivalent to the swap agreements' positive fair value, if any, at the time of any failure to perform. The swap Counterparties as of June 30, 2006 are rated as follows:

<u>Counterparty</u>	<u>Moody's</u>	<u>Standard &</u>	
		<u>Poor's</u>	<u>Fitch</u>
Bank of America N.A.	Aa1	AA	AA-
Citibank	Aa1	AA-	AA+
Wachovia Bank, N.A.	Aa2	AA-	AA-

To mitigate the potential for credit risk, if the Counterparties' credit quality falls below Baa1/BBB+/BBB+, the Counterparties are obligated to post collateral consisting of U.S. government securities for the fair value of the swap agreements. Collateral would be posted with a third party custodian.

Basis Risk. The County receives variable payments from the Counterparties based on the floating rates identified under *Terms*. The County pays the Bond Rate to its bondholders set by the remarketing agent. The County is exposed to basis risk when its 2004 Bonds begin to trade at a yield which exceeds the lesser of Index I or Index II identified under *Terms*. At June 30, 2006, the rate on the County's 2004 Bonds was higher than the floating rate received from the Counterparties. When the relationship of the 2004 Bonds trade higher than the floating rate received from the Counterparties, the County will experience an increase in debt service above the fixed rate on the swap agreements.

Termination Risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, including but not limited to failure to pay, bankruptcy, and downgrade below the "BBB" credit rating category. The County or the Counterparties may terminate the swaps if the other party fails to perform under the terms of the contract. An additional termination event occurs if the County's or the Counterparties' ratings fall below Baa3/BBB-/BBB-. If at the time of termination the swap agreements have a negative fair value, the County would be liable to the Counterparties for a payment equal to the swap agreements' fair value.

Swap payments and associated debt: Using rates as of June 30, 2006, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates as of June 30, 2006 remain the same for the term of the 2004 Bonds, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate Swaps, Net *	Total
	Principal	Interest		
2007	\$ 1,365,000	\$ 2,775,863	\$ (104,710)	\$ 4,036,153
2008	1,370,000	2,721,945	(102,676)	3,989,269
2009	1,375,000	2,667,830	(100,635)	3,942,195
2010	2,535,000	2,613,518	(98,586)	5,049,932
2011	2,525,000	2,513,385	(94,809)	4,943,576
2012-2016	16,530,000	10,751,111	(405,548)	26,875,563
2017-2021	14,915,000	7,565,239	(285,372)	22,194,867
2022-2026	15,560,000	4,785,426	(180,513)	20,164,913
2027-2029	14,100,000	1,113,900	(42,018)	15,171,882
Total	<u>\$ 70,275,000</u>	<u>\$ 37,508,217</u>	<u>\$ (1,414,867)</u>	<u>\$ 106,368,350</u>

* Computed using (3.425% - 3.574%) x (\$70,275,000 – annual reduction)

- (d) Derivative Disclosure – Pay-Floating, Receive-Floating Interest Rate Fixed Spread Basis Swap Agreement dated and effective June 13, 2005 – Assumptions

Objective of the interest rate swap. As a means to lower the County's borrowing costs and increase its savings, when compared to the issuance of traditional fixed-rate or synthetic fixed rate refunding bonds in June 2005, Union County entered into a fixed spread basis swap agreement for the purpose of generating savings on \$38,000,000 in callable maturities of its General Obligation Bonds, Series 2001 and \$22,740,000 in callable maturities of its Certificates of Participation, Series 2003 (collectively "the Bonds"). The intention of the fixed spread basis swap agreement was to effectively lower the County's interest rate on the Bonds.

Terms. Under the terms of a fixed spread basis swap agreement dated and effective June 13, 2005 Wachovia Bank, N.A. ("Wachovia") pays Union County 67% of USD-LIBOR-BBA plus a fixed spread of 0.532% semi-annually on the notional amount of \$60,740,000. Union County pays Wachovia the USD-BMA Municipal Swap Index semi-annually on the same notional amount. The notional value of the fixed spread basis swap and the principal amount of the associated debt decline in unison over the term of the fixed spread basis swap agreement and Bonds. The notional amount of the swap reduces annually; the reductions begin on March 1, 2012, and end on March 1, 2025. The agreement matures March 1, 2025. As of June 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Average coupon on the Bonds	Fixed	4.640%
Receive Floating Rate	67% LIBOR + 0.532%	(4.106%)
Pay Floating Rate	BMA Swap Index	<u>3.970%</u>
Net interest rate on Bonds		<u>4.504%</u>

Fair Value. As of June 30, 2006, the agreement had a positive fair value of \$513,595. This mark-to-market valuation was established by market quotations obtained by the counterparty, representing estimates of the amounts that would be paid or received for replacement transactions.

Credit Risk. The interest rate swap agreement's positive fair value represented the County's credit exposure to Wachovia as of June 30, 2006. Should Wachovia fail to perform according to the terms of the swap agreement, the County would face a possible loss approximately equivalent to the swap agreement's positive fair value, if any, at the time of any failure to perform. As of June 30, 2006, Wachovia is rated "Aa2" by Moody's Investor's Service, "AA-" by Standard and Poor's Ratings Services, and "AA-" by Fitch Ratings. To mitigate the potential for credit risk, if Wachovia's credit quality falls below A3/A-/A-, Wachovia is obligated to post collateral consisting of U.S. government securities for the fair value of the interest rate swap agreement. Collateral would be posted with a third party custodian.

Basis Risk. Union County receives from Wachovia 67% LIBOR plus a fixed spread of 0.532% and pays to Wachovia the BMA Municipal Swap Index. Union County is exposed to basis risk when BMA begins to trade at a yield which exceeds 67% LIBOR plus 0.532%. In the event of such an occurrence, the County will experience an increase in debt service above the fixed coupon rate on the Bonds.

Termination Risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, including but not limited to failure to pay, bankruptcy, and downgrade below the "BBB" credit rating category. Termination could result in the County being required to make an unanticipated termination payment.

Swap payments and associated debt: Using rates as of June 30, 2006, debt service requirements of the Bonds and net interest rate swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As net interest rate swap payments vary, the County's fixed bond interest payments and net interest rate swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net *	
2007	\$ -	\$ 2,825,931	\$ (82,606)	\$ 2,743,325
2008	-	2,825,931	(82,606)	2,743,325
2009	-	2,825,931	(82,606)	2,743,325
2010	-	2,825,931	(82,606)	2,743,325
2011	-	2,825,931	(82,606)	2,743,325
2012-2016	24,535,000	36,723,929	(361,575)	60,897,354
2017-2021	28,625,000	25,496,201	(152,762)	53,968,439
2022-2025	7,580,000	4,533,788	(25,772)	12,088,016
Total	<u>\$ 60,740,000</u>	<u>\$ 80,883,573</u>	<u>\$ (953,139)</u>	<u>\$ 140,670,434</u>

* Computed using $(3.970\% - 4.117\%) \times (\$60,740,000 - \text{annual reduction})$

- (e) Derivative Disclosure – Pay-Floating, Receive-Floating Interest Rate Fixed Spread Basis Swap Agreement dated October 11, 2005 and effective October 13, 2005 – Assumptions

Objective of the interest rate swap. As a means to lower the County's borrowing costs and increase its savings, when compared to the issuance of traditional fixed-rate or synthetic fixed rate refunding bonds, Union County entered into a fixed spread basis swap agreement for the purpose of generating savings on a portion of its outstanding Water and Sewer Enterprise System Revenue Bonds, Series 2003A. The intention of the fixed spread basis swap agreement was to effectively lower the County's interest rate on the Bonds.

Terms. Under the terms of a fixed spread basis swap agreement effective October 13, 2005, Citibank, N.A. New York ("Citibank") pays Union County 70% of USD-LIBOR-BBA plus a fixed spread of 0.40% semi-annually on the notional amount of \$24,655,000. Union County pays Citibank the USD-BMA Municipal Swap Index semi-annually on the same notional amount. The notional value of the fixed spread basis swap and the principal amount of the associated debt decline in unison over the term of the fixed spread basis swap agreement and Bonds. The notional amount of the swap reduces annually; the reductions begin on June 1, 2014, and end on June 1, 2029. The agreement matures June 1, 2029. As of June 30, 2006, rates were as follows:

	Terms	Rates
Average coupon on the Bonds	Fixed	4.540%
Receive Floating Rate	70% LIBOR + 0.40%	(4.134%)
Pay Floating Rate	BMA Swap Index	<u>3.970%</u>
Net interest rate on Bonds		<u>4.376%</u>

Fair Value. As of June 30, 2006, the agreement had a positive fair value of \$198,647. This mark-to-market valuation was established by market quotations obtained by the counterparty, representing estimates of the amounts that would be paid or received for replacement transactions.

Credit Risk. The interest rate swap agreement's positive fair value represented the County's credit exposure to Citibank as of June 30, 2006. Should Citibank fail to perform according to the terms of the swap agreement, the County would face a possible loss approximately equivalent to the swap agreement's positive fair value, if any, at the time of any failure to perform. Citibank, rated "Aa1" by Moody's Investor's Service, "AA-" by Standard and Poor's Ratings Services, and "AA+" by Fitch Ratings as of June 30, 2006, will collateralize any market value positive to the County over a predetermined threshold that varies depending on Citibank's ratings. At Citibank's current ratings, such threshold is \$30,000,000. Collateral would be posted with a third party custodian.

Basis Risk. Union County receives from Citibank 70% of USD-LIBOR-BBA plus a fixed spread of 0.40% and pays to Citibank the BMA Municipal Swap Index. Union County is exposed to basis risk when BMA begins to trade at a yield which exceeds 70% of USD-LIBOR-BBA plus 0.40%. In the event of such an occurrence, the County will experience an increase in debt service above the fixed coupon rate on the Bonds.

Termination Risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, including but not limited to failure to pay, bankruptcy, and downgrade below the “BBB” credit rating category. Termination could result in the County being required to make an unanticipated termination payment.

Swap payments and associated debt: Using rates as of June 30, 2006, debt service requirements of the Bonds and net interest rate swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As net interest rate swap payments vary, the County’s fixed bond interest payments and net interest rate swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate Swaps, Net *	Total
	Principal	Interest		
2007	\$ -	\$ 1,119,689	\$ (40,451)	\$ 1,079,238
2008	-	1,119,689	(40,451)	1,079,238
2009	-	1,119,689	(40,451)	1,079,238
2010	-	1,119,689	(40,451)	1,079,238
2011	-	1,119,689	(40,451)	1,079,238
2012-2016	3,035,000	5,499,425	(197,383)	8,337,042
2017-2021	6,055,000	4,438,745	(158,416)	10,335,329
2022-2026	7,475,000	3,010,884	(104,222)	10,381,662
2027-2029	8,100,000	956,500	(31,373)	9,025,127
Total	<u>\$ 24,665,000</u>	<u>\$ 19,503,999</u>	<u>\$ (693,649)</u>	<u>\$ 43,475,350</u>

* Computed using $(3.970\% - 4.134\%) \times (\$24,665,000 - \text{annual reduction})$

- (f) Derivative Disclosure – Pay-Fixed, Receive-Floating Interest Rate Forward Swap Agreement dated October 11, 2005 and effective June 21, 2007 – Assumptions

Objective of the interest rate swap. In order to protect against the potential of higher future interest rates in connection with its anticipated issuance of Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2007 (“Series 2007 Bonds”), Union County entered into a pay-fixed, receive-variable interest rate swap. The intention of the forward swap agreement will be to effectively change the County’s interest rate on the Series 2007 Bonds to a synthetic fixed rate of 3.603%, excluding liquidity, remarketing, and other fees associated with the Series 2007 Bonds.

Terms. Under the terms of the forward swap agreement effective June 21, 2007, Citibank, N.A. New York (“Citibank”) will pay the County an amount semi-annually on the notional amount of \$20,000,000 based on 70% of USD-LIBOR-BBA. On a semi-annual basis, the County will pay Citibank an amount at a fixed rate of 3.603% on the same notional amount. The notional amount declines with the amortization of the corresponding Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2007 over a period beginning June 1, 2008 and ending June 1, 2034. The agreement matures June 1, 2034.

Fair Value. As of June 30, 2006, the agreement had a positive fair value of \$764,421. This mark-to-market valuation was established by market quotations obtained by the counterparty, representing estimates of the amounts that would be paid or received for replacement transactions.

Credit Risk. The interest rate swap agreement’s positive fair value represented the County’s credit exposure to Citibank as of June 30, 2006. Should Citibank fail to perform according to the terms of the swap agreement, the County would face a possible loss approximately equivalent to the swap agreement’s positive fair value, if any, at the time of any failure to perform. Citibank, rated “Aa1” by Moody’s Investor’s Service, “AA-” by Standard and Poor’s Ratings Services, and “AA+” by Fitch Ratings as of June 30, 2006, will collateralize any market value positive to the County over a predetermined threshold that varies depending on Citibank’s ratings. At Citibank’s current ratings, such threshold is \$30,000,000. Collateral would be posted with a third party custodian.

Basis Risk. Union County will receive from Citibank 70% of USD-LIBOR-BBA and will pay the bond rate to its bondholders set by the remarketing agent. The County will be exposed to basis risk when its Series 2007 Bonds begin to trade at a yield which exceeds 70% of USD-LIBOR-BBA. Should the relationship of the 2007 Series Bonds trade higher than 70% of USD-LIBOR-BBA, the County will experience an increase in debt service above the fixed rate on the forward swap agreement.

Termination Risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, including but not limited to failure to pay,

bankruptcy, and downgrade below the “BBB” credit rating category. Termination could result in the County being required to make an unanticipated termination payment.

- (g) Derivative Disclosure – Multiple Pay-Fixed, Receive-Floating Interest Rate Forward Swap Agreements dated December 12, 2005 and effective September 6, 2007 – Assumptions

Objective of the interest rate swap. In order to protect against the potential of higher future interest rates in connection with its anticipated issuance of Variable Rate General Obligation Bonds, Series 2007 (“2007 Series Bonds”), Union County entered into multiple pay-fixed, receive-variable interest rate swaps. The intention of the forward swap agreements will be to effectively change the County’s interest rate on the 2007 Series Bonds to a synthetic fixed rate of 3.673%, excluding liquidity, remarketing, and other fees associated with the 2007 Series Bonds.

Terms. Under the terms of the forward swap agreements effective September 6, 2007, the County will pay semi-annually Wachovia Bank, National Association (“Wachovia”), Citibank, N.A. New York (“Citibank”) and UBS AG (“UBS”) (collectively, the “Counterparties”) fixed payments of 3.673% and will receive semi-annually from the Counterparties 70% of USD-LIBOR-BBA. The aggregate notional amount of \$110,730,000 (with Wachovia receiving approximately 64% of the total notional amount and Citibank and UBS each receiving 18%) declines with the amortization of the corresponding Variable Rate General Obligation Bonds, Series 2007 over a period beginning March 1, 2008 and ending March 1, 2031. The agreement matures March 1, 2031.

Fair Value. As of June 30, 2006, the agreement had a positive fair value of \$2,204,657. This mark-to-market valuation was established by market quotations obtained by the Counterparties, representing estimates of the amounts that would be paid or received for replacement transactions.

Credit Risk. The interest rate swap agreements’ positive fair value represented the County’s credit exposure to the Counterparties as of June 30, 2006. Should the Counterparties fail to perform according to the terms of the swap agreements, the County would face a possible loss approximately equivalent to the swap agreements’ positive fair value, if any, at the time of any failure to perform. The swap Counterparties as of June 30, 2006 are rated as follows:

Counterparty	Moody’s	Standard &	
		Poor’s	Fitch
Wachovia	Aa2	AA-	AA-
Citibank	Aa1	AA-	AA+
UBS	Aa2	AA+	AA+

To mitigate the potential for credit risk, if the Counterparties’ credit quality falls below A3/A-/A-, the Counterparties are obligated to post collateral consisting of U.S. government securities for the fair value of the swap agreements. Collateral would be posted with a third party custodian.

Basis Risk. Union County will receive from the Counterparties 70% of USD-LIBOR-BBA and will pay the bond rate to its bondholders set by the remarketing agent. The County will be exposed to basis risk when its Series 2007 Bonds begin to trade at a yield which exceeds 70% of USD-LIBOR-BBA. Should the relationship of the 2007 Series Bonds trade higher than 70% of USD-LIBOR-BBA, the County will experience an increase in debt service above the fixed rate on the forward swap agreements.

Termination Risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, including but not limited to failure to pay, bankruptcy, and downgrade below the “BBB” credit rating category. Termination could result in the County being required to make an unanticipated termination payment. Any amount payable by the County to Wachovia (original notional amount of \$70,730,000) on termination of the transaction before the termination date may be made in four equal annual installments.

- (h) The County has issued variable rate bonds. The County has remarketing agreements and standby purchase agreements with banks related to these bonds. Under the remarketing agreements, the agents will remarket any bonds for which payment is demanded. If the bonds cannot be remarketed, the banks will purchase the bonds. The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2005 pursuant to these agreements, and the interest rate at year-end for these issues. Interest rates may change pursuant to the terms of the remarketing agreements based on market

conditions. There have been slight increases in the range of 0.30% to 0.40% in the variable rates subsequent to the fiscal year-end. The interest rates, per the remarketing agreements, cannot exceed 12%. The maximum interest required for these bonds through maturity would be \$301,973,129.

Issue	Balance June 30, 2006	Standby Purchase Agreement Expiration	Fees Paid for the Fiscal Year 2006	Interest Rate June 30, 2006
General Obligation Bonds				
2004A	\$ 48,825,000	December 14, 2011	\$ 83,206	3.95%
2004B	21,450,000	December 14, 2011	36,054	3.95%
2005A	48,000,000	June 13, 2015	81,578	3.94%
2005B	19,200,000	June 13, 2015	32,586	3.98%
2005C	19,200,000	June 13, 2015	33,550	3.95%
Revenue Bonds				
2003B	18,570,000	June 12, 2011	67,588	3.95%

2. The preceding long-term obligations are included in Exhibit A as follows:

	Governmental Activities	Business- type Activities	Total
General Obligation Bonds	\$ 231,960,190	\$ 11,402,419	\$ 243,362,609
Bond Anticipation Notes	13,495,000	-	13,495,000
Certificates of Participation	38,256,834	-	38,256,834
Installment Financing	181,626	-	181,626
Revenue Bonds	-	47,991,158	47,991,158
N.C. Clean Water Revolving Loan	-	2,570,663	2,570,663
Total	\$ 283,893,650	\$ 61,964,240	\$ 345,857,890

3. The table in Note 15 part A differs from the long-term obligations in Note 15 part B due to the following:

	Unamortized Deferred Loss on Defeasance	Unamortized Gain	Unamortized Premium / (Discount)	Total
General Obligation Bonds				
1996 Refunding Bonds (Water)	\$ 56,881	\$ (26,382)	\$ (1,725)	\$ 28,774
1996 Refunding Bonds (Sanitary Sewer)	17,505	(7,186)	(509)	9,810
1999 Refunding Bonds (Water)	29,890	(8,233)	-	21,657
2004 Refunding Bonds (School Facilities) (b)	489,291	-	(233,654)	255,637
2004 Refunding Bonds (Sanitary Sewer) (b)	111,564	-	(51,531)	60,033
2004 Refunding Bonds (School Facilities) (c,e)	1,585,880	-	-	1,585,880
Installment Financing				
2003 Multi-purpose COP's	67,780	-	(1,129,614)	(1,061,834)
Revenue Bonds				
2003 Enterprise System - Series A	-	-	(660,233)	(660,233)
2003 Refunding Enterprise System - Series B (a,d)	1,870,780	-	168,295	2,039,075
Total	\$ 4,229,571	\$ (41,801)	\$ (1,908,971)	2,278,799
Long-term Obligations (per Note 15, A)				345,857,890
Future Maturities of Long-term Obligations (per Note 15, B)				\$ 348,136,689

B. Future Maturities of Long-Term Obligations

Annual debt service requirements to maturity, including interest, are as follows (excluding compensated absences):

	General Obligation		General Obligation Commercial Paper Bond Anticipation Notes		Certificates of Participation and Installment Financing		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities								
2007	\$ 11,723,389	\$ 9,451,884	\$ 13,495,000	\$ 228,978	\$ 2,307,272	\$ 1,509,836	\$ 27,525,661	\$ 11,190,698
2008	11,676,743	8,945,190	-	-	2,102,272	1,462,133	13,779,015	10,407,323
2009	12,023,033	8,439,288	-	-	2,107,082	1,386,369	14,130,115	9,825,657
2010	12,162,015	7,915,596	-	-	2,060,000	1,336,650	14,222,015	9,252,246
2011	12,271,829	7,404,853	-	-	2,075,000	1,249,563	14,346,829	8,654,416
2012-2016	59,819,698	29,594,352	-	-	9,670,000	5,085,069	69,489,698	34,679,421
2017-2021	52,065,000	17,384,731	-	-	9,475,000	2,901,718	61,540,000	20,286,449
2022-2026	33,560,000	9,189,387	-	-	7,580,000	781,688	41,140,000	9,971,075
2027-2031	28,500,000	2,405,850	-	-	-	-	28,500,000	2,405,850
	<u>\$ 233,801,707</u>	<u>\$ 100,731,131</u>	<u>\$ 13,495,000</u>	<u>\$ 228,978</u>	<u>\$ 37,376,626</u>	<u>\$ 15,713,026</u>	<u>\$ 284,673,333</u>	<u>\$ 116,673,135</u>

	General Obligation Bonds		Revenue Bonds		Other Long-term Obligations (E.)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Business-type Activities								
2007	\$ 2,504,210	\$ 554,067	\$ 2,055,000	\$ 1,838,435	\$ 233,697	\$ 88,174	\$ 4,792,907	\$ 2,480,676
2008	2,485,058	429,137	2,070,000	1,785,708	233,697	80,158	4,788,755	2,295,003
2009	1,886,966	303,159	2,080,000	1,729,814	233,697	72,142	4,200,663	2,105,115
2010	1,857,986	212,115	2,090,000	1,673,235	233,697	64,126	4,181,683	1,949,476
2011	1,368,171	121,975	2,105,000	1,613,207	233,697	56,111	3,706,868	1,791,293
2012-2016	1,420,302	117,845	10,790,000	7,096,173	1,168,483	160,316	13,378,785	7,374,334
2017-2021	-	-	12,605,000	5,039,927	233,695	8,016	12,838,695	5,047,943
2022-2026	-	-	7,475,000	3,010,884	-	-	7,475,000	3,010,884
2027-2031	-	-	8,100,000	956,500	-	-	8,100,000	956,500
	<u>\$ 11,522,693</u>	<u>\$ 1,738,298</u>	<u>\$ 49,370,000</u>	<u>\$ 24,743,883</u>	<u>\$ 2,570,663</u>	<u>\$ 529,043</u>	<u>\$ 63,463,356</u>	<u>\$ 27,011,224</u>

Total Long-term Obligations for Governmental and Business-type Activities

\$ 348,136,689 \$ 143,684,359

As of June 30, 2006, Union County had \$97,235,000 general obligation bonds authorized but unissued, and had a legal debt margin of \$788,967,114.

C. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2006 (and agrees to table in Note 15. B.):

	Balance June 30, 2005	Increases	Decreases	Additions and Deductions to Amortizations	Balance June 30, 2006	Current Portion of Balances
Governmental Activities:						
By Type:						
General obligation bonds	\$ 243,116,688	\$ -	\$ 11,453,607	\$ 297,109	\$ 231,960,190	\$ 11,436,959
Bond Anticipation Note	-	13,495,000	-	-	13,495,000	13,495,000
Certificates of participation	40,711,814	-	2,215,000	(239,980)	38,256,834	2,420,110
Installment financing	243,898	-	62,272	-	181,626	62,272
	<u>284,072,400</u>	<u>13,495,000</u>	<u>13,730,879</u>	<u>57,129</u>	<u>283,893,650</u>	<u>27,414,341</u>
Compensated absences	2,410,691	3,758,798	3,501,469	-	2,668,020	-
	<u>\$ 286,483,091</u>	<u>\$ 17,253,798</u>	<u>\$ 17,232,348</u>	<u>\$ 57,129</u>	<u>\$ 286,561,670</u>	<u>\$ 27,414,341</u>
By Purpose:						
General government	\$ 14,894,403	\$ -	\$ 422,534	\$ (12,997)	\$ 14,458,872	\$ 435,531
Public safety	7,099,043	-	570,271	(70,428)	6,458,344	650,699
Economic/physical development	3,746,053	-	105,808	(4,068)	3,636,177	109,877
Human services	44,594	-	1,265	(39)	43,290	1,304
Education	255,559,968	13,495,000	12,537,067	147,012	256,664,913	26,121,644
Cultural and recreational	2,728,339	-	93,934	(2,351)	2,632,054	95,286
Compensated absences	2,410,691	3,758,798	3,501,469	-	2,668,020	-
	<u>\$ 286,483,091</u>	<u>\$ 17,253,798</u>	<u>\$ 17,232,348</u>	<u>\$ 57,129</u>	<u>\$ 286,561,670</u>	<u>\$ 27,414,341</u>
Business-type Activities:						
By Type:						
General obligation bonds	\$ 14,009,152	\$ -	\$ 2,691,293	\$ 84,560	\$ 11,402,419	\$ 2,445,177
Revenue bonds	49,378,190	-	1,610,000	222,968	47,991,158	1,845,858
North Carolina Clean Water Revolving Loan	2,804,360	-	233,697	-	2,570,663	233,697
Hunley Creek Sewer System Purchase	74,799	-	74,799	-	-	-
	<u>66,266,501</u>	<u>-</u>	<u>4,609,789</u>	<u>307,528</u>	<u>61,964,240</u>	<u>4,524,732</u>
Compensated absences	343,518	469,118	438,234	-	374,402	-
	<u>\$ 66,610,019</u>	<u>\$ 469,118</u>	<u>\$ 5,048,023</u>	<u>\$ 307,528</u>	<u>\$ 62,338,642</u>	<u>\$ 4,524,732</u>
By Purpose:						
Water and sewer systems	\$ 66,266,501	\$ -	\$ 4,609,789	\$ 307,528	\$ 61,964,240	\$ 4,524,732
Compensated absences	343,518	469,118	438,234	-	374,402	-
	<u>\$ 66,610,019</u>	<u>\$ 469,118</u>	<u>\$ 5,048,023</u>	<u>\$ 307,528</u>	<u>\$ 62,338,642</u>	<u>\$ 4,524,732</u>

Compensated absences typically have been liquidated in the General Fund for governmental activities on a LIFO (last-in, first-out) basis, assuming that employees are taking leave time as earned.

D. Revenue Bonds

The County issued combined system enterprise revenue bonds for water and sewer system improvements pursuant to a General Trust Indenture dated as of May 1, 1996 and a Series Indenture, Number 2, dated as of May 15, 2003 (together the "Indentures") between the County and Wachovia Bank, National Association, as trustee. The Indentures authorize and secure all outstanding revenue bonds of the County's water and sewer system and contain several financial and operating covenants governing such matters as rates, additional bonds, reserve funds, annual budgets, maintenance of the system and insurance. The County was in compliance with all such covenants during the fiscal year ended June 30, 2006.

The County has covenanted that it will maintain various debt service coverage ratios. The calculation for the various debt service coverage ratios for the year ended June 30, 2006 is as follows:

Revenues	\$ 38,155,925
Current Expenses	<u>14,310,599</u>
Net revenues available for debt service	23,845,326
Add: 20% of preceding year's Surplus Fund	<u>5,193,627</u>
Adjusted net revenues available for debt service per Rate Covenant	<u>\$ 29,038,953</u>
Senior debt service coverage:	
Debt service, principal and interest paid	\$ 3,416,213
Subordinate debt service:	
Debt service, principal and interest paid	<u>3,704,345</u>
Total debt service:	
Total debt service, principal and interest paid	7,120,558
Add: 20% of senior debt service	<u>683,243</u>
Adjusted debt service requirements	<u>\$ 7,803,801</u>
Coverage Test 1	
Adjusted net revenues / adjusted debt service	3.72
Coverage Test 2	
Net revenues / total debt service	3.35

E. Other Long-Term Debt

North Carolina Clean Water Revolving Loan - During fiscal year ended June 30, 1996, the County received approval on a loan from the North Carolina Clean Water Revolving Loan and Grant Fund with a maximum limit of \$4,673,933. This loan is payable over 20 years with interest at 5.3% and is secured by the net revenues of the water and sewer system. This loan contains certain financial and operating covenants. The County was in compliance with all such covenants as of June 30, 2006. The amount outstanding at June 30, 2006 is \$2,570,663. These funds were used for the Crooked Creek sewer project of the County's Water and Sewer Enterprise Fund.

The following table summarizes the annual requirements to amortize the long-term debt associated with this loan.

Year Ending June 30	Principal	Interest
2007	\$ 233,697	\$ 88,174
2008	233,697	80,158
2009	233,697	72,142
2010	233,697	64,126
2011	233,697	56,111
Next five years	1,168,483	160,316
Thereafter	<u>233,695</u>	<u>8,016</u>
Total	<u>\$ 2,570,663</u>	<u>\$ 529,043</u>

F. Conduit Debt Obligations

Union County Industrial Facility and Pollution Control Financing Authority (the Authority) has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, there were four series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$14,550,000.

NOTE 16 - INTERFUND BALANCES AND ACTIVITY

INTERFUND BALANCES

The composition of interfund balances as of June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water & Sewer Fund	\$ 222,180	Note 1
General Fund	Solid Waste Fund	35,593	Note 1
General Fund	Stormwater Fund	2,509	Note 1
		<u>\$ 260,282</u>	

Note 1: Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds (as shown on Exhibit A).

INTERFUND ACTIVITY

Transfer Out:	Transfers In:						Purpose
	Governmental Activities:				Business Type Activities		
	General Fund	General Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds	Water & Sewer Fund	Stormwater Fund	
Governmental activities:							
General Fund	\$ -	\$ 30,407,054	\$ 5,902,539	\$ 36,309,593	\$ 200,000	\$ 123,304	Note 1
General Capital Project	772,981	-	-	772,981	-	-	Note 2
Total governmental activities	772,981	30,407,054	5,902,539	37,082,574	200,000	123,304	
Total transfers out	<u>\$ 772,981</u>	<u>\$ 30,407,054</u>	<u>\$ 5,902,539</u>	<u>\$ 37,082,574</u>	<u>\$ 200,000</u>	<u>\$ 123,304</u>	

Note 1: The transfers from the General Fund to Nonmajor Governmental Funds were for the following funds and projects:

Governmental Activities:	
General Capital Project Fund:	
Government facility renovations	1,567,822
Agricultural Service Center access road, parking lot	643,200
UCPS FY2006 school capital outlay allocation	6,167,924
Parks and recreation Jesse Helms park phase 1	21,468
Parks and recreation Jesse Helms park phase 2	9,501
Parks and recreation Jesse Helms park phase 3	1,378,000
Parks and recreation Cane Creek park	14,344
CIP reserve funds	20,604,795
General Special Revenue Fund:	
Homeland Security - Catawba Nuclear Facility contribution balances	15,575
Homeland Security - CERT grant program balances	11,231
Debt Service Fund:	
Funding for the school capital and debt service fund	5,875,733
Business Type Activities:	
Water & Sewer Fund:	
Self help projects	200,000
Stormwater Fund:	
Stormwater Planning program	123,304

Note 2: The transfer from the General Capital Project fund to the General Fund was to provide funds for the debt interest payments on applicable projects.

NOTE 17 - DEFERRED / UNEARNED REVENUES

The balance in deferred and unearned revenue on the fund statements and unearned revenue on the government-wide statements at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue	Total
Prepaid taxes not yet earned (General)	\$ -	\$ 111,812	\$ 111,812
Prepaid taxes not yet earned (Special Revenue)	-	2,214	2,214
Taxes receivable, net (General)	2,359,493	-	2,359,493
Taxes receivable, net (Special Revenue)	35,093	-	35,093
	<u>\$ 2,394,586</u>	<u>\$ 114,026</u>	<u>\$ 2,508,612</u>

NOTE 18 - JOINT VENTURES

A. Catawba River Treatment Plant

Union County and Lancaster County Water and Sewer District (district) constructed a water impoundment and treatment facility on the Catawba River in Lancaster County. The joint venture is known as the Catawba River Water Treatment Plant. The agreement between the two parties called for the payment of one-half the audited and agreed upon costs of acquiring, constructing and equipping the project. The County has a 50% undivided interest in the facility. Management of the facility is the responsibility of a joint board. The joint board is composed of an equal number of members from the district and County. A minimum of three (3) members from the district and County each serve on the joint board. The district has responsibility for operating the facility under the joint board's direction.

The agreement further calls for an annual audit each June 30 to determine actual expenses and gallons used. A final settlement will be made each year based on audited amounts. Operating costs of the facility will be split between the parties based on metered gallons drawn by each. The joint venture serves only the County and district as customers. All purchases of water are considered to be related party transactions. During the year, the County purchased \$1,675,810 of water.

The County's net investment is recorded in the Water and Sewer Enterprise Fund and is accounted for on the equity method. The County's equity interest as of June 30, 2006 was \$13,670,655. This included the County's recognized loss of \$153,160 for the year. Complete separate financial statements for the joint venture may be obtained from Catawba River Water Treatment Plant, 5107 Riverside Road, P.O. Box 214, Van Wyck, SC 29744. Summary financial information as of, and for the fiscal year ended June 30, 2006, is as follows:

Cash and investments	\$ 1,468,083
Other assets	25,967,933
Total assets	<u>\$ 27,436,016</u>
Total liabilities	\$ 94,707
Total net assets	27,341,309
Total liabilities and net assets	<u>\$ 27,436,016</u>
Total revenues	\$ 2,888,683
Total expenses	(3,236,503)
Joint venture capital contributions	41,500
Net decrease in net assets	<u>\$ (306,320)</u>

B. Union Memorial Regional Medical Center

On August 27, 1995, the County entered into a contract with Union Memorial Regional Medical Center, Inc. (UMRMC), a subsidiary of the Charlotte-Mecklenburg Hospital Authority (CMHA), to operate Carolinas Medical Center-Union (CMC-Union and formerly known as Union Memorial Regional Medical Center and Union Memorial Hospital). The County appoints two of the five members on the governing body. The agreement with UMRMC requires an annual payment of rent to the County equal to the

greater of \$1,400,000 or the “network development fee” that UMRMC must pay to Carolinas Hospital Network, Inc., also a subsidiary of CMHA. UMRMC is to pay an annual “network development fee” equal to the greater of \$1,200,000 or the sum of 7.5% of UMRMC’s earnings on investments (as determined by GAAP) and 10% of income from operations (as determined by GAAP) before interest, taxes, depreciation and amortization; provided, however, that the fee will not be paid to the extent that it would produce a deficit in UMRMC’s annual operating results. The amount of rent that Union County received in the current fiscal year was \$2,593,783. The County does not provide any financial assistance for operating expenses. The County does not have an equity interest in the joint venture; therefore, no equity interest is reflected in the County’s financial statements. Complete financial statements may be obtained at the Carolinas Medical Center-Union offices at P.O. Box 5003, Monroe, NC 28111.

The North Carolina Medical Care Commission (the “Commission”) issued \$25,000,000 Health Care Facilities Revenue Bonds, Series 2002A (the “Series 2002A Bonds”) dated June 15, 2002 and \$15,000,000 Health Care Facilities Revenue Bonds, Series 2002B (the “Series 2002B Bonds” and collectively, with the Series 2002A Bonds the “Bonds”) dated July 11, 2002 for the Union Regional Medical Center Project (the “Project”).

Concurrently with the issuance of the Bonds, the Commission entered into a loan agreement with Union Regional Memorial Medical Center, Inc. currently d/b/a Carolinas Medical Center-Union (the “Corporation”), a North Carolina nonprofit corporation. The Commission lent the proceeds of the Bonds to the Corporation for the purpose of providing funds, together with other available funds, for the purpose of paying costs of facility expansions and improvements, repayment of an interim financing incurred by the Corporation in connection with the Project, a debt service reserve fund and issuance expenses.

The Bonds are limited obligations of the Commission, payable solely from money received from the Corporation pursuant to the terms of the loan agreement issued by the Corporation to the Commission. Neither the faith and credit nor the taxing power of the State of North Carolina or Union County is pledged as security for the Bonds.

C. South Piedmont Community College

The County, in conjunction with the State of North Carolina and Anson County Community College, participates in a joint venture to operate the Union Campus of South Piedmont Community College. The County appoints three members of the 14 member board of trustees of each community college. The president of the community colleges’ student government association serves as a non-voting, ex-officio member of the board of trustees. The community colleges are included as component units of the state. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college’s operations. In addition to providing annual appropriations for the facilities, the County periodically issues debt to provide financing for new and restructured facilities. Of the last installment financing for this purpose, \$4,084,429 in debt is still outstanding. The County contributed \$920,500 to Piedmont Community College for operating and capital purposes during the fiscal year ended June 30, 2006. In addition, the County made debt service payments of \$287,405 during the fiscal year on installment financing debt issued for the community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County’s financial statements at June 30, 2006. Complete financial statements for the community colleges may be obtained from the community colleges’ administrative offices at South Piedmont Community College, East Campus, P.O. Box 126, Polkton, NC 28135.

D. Piedmont Area Mental Health Developmental Disabilities and Substance Abuse Authority

The County also participates in a joint venture to operate Piedmont Area Mental Health Developmental Disabilities and Substance Abuse Authority (PAMH) with three other local governments. Each participating government appoints four board members to the 16 member board. The County has an ongoing financial responsibility for the joint venture because PAMH’s continued existence depends on the participating governments’ continued funding. None of the participating governments have any equity

interest in PAMH, so no equity interest has been reflected in the financial statements at June 30, 2006. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$537,688 to PAMH to supplement its activities for the year ended June 30, 2006. Complete financial statements for PAMH can be obtained from PAMH's offices at 245 Le Phillip Court, NE, Concord, NC 28025.

NOTE 19 - JOINTLY GOVERNED ORGANIZATION

Centralina Council of Governments

The Centralina Council of Governments is a voluntary association of nine County governments and seventy municipalities. The Council was established by the participating governments to coordinate funding from federal and state agencies. Each participating government appoints one member to the council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The County paid membership dues of \$40,783 during the fiscal year ended June 30, 2006. The County was the sub-recipient of a grant for \$626,727 from the U.S. Department of Health and Human Services and the Division of Aging of the North Carolina Department of Human Resources that was passed through the Council.

NOTE 20 - BENEFIT PAYMENTS ISSUED BY THE STATE

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients which do not appear in the general purpose financial statements because they are not revenues and expenditures of the County.

	Federal	State
Work First/TANF	\$ 1,055,956	\$ -
AFDC Payments and Penalties	(246)	(68)
Low Income Energy Assistance	134,715	-
Refugee Assistance Payment	6,375	-
CWS Adoption Subsidy and Vendor	-	247,747
IV-E Adoption Subsidy and Vendor	229,928	67,226
State/County Special Assistance for Adults	-	855,105
Women, Infants and Children	2,198,805	-
Medical Assistance Program	57,196,419	27,533,698
Food Stamp Program-Noncash	10,368,436	-
Food Distribution	72,180	-
Health Choice	2,244,699	769,534
	<u>\$ 73,507,267</u>	<u>\$ 29,473,242</u>

NOTE 21 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 22 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

On July 24, 2006, the Union County Board of Commissioners ("Board") adopted a resolution accepting a State of North Carolina Revolving Loan offer in the amount of \$15 million the proceeds of which will be used to finance, in part, the expansion of the Twelve Mile Creek Wastewater Treatment Plant.

On August 28, 2006, the Board adopted a resolution setting a special bond referendum for November 7, 2006, at which time qualified voters of the County will consider an order authorizing \$174,500,000 in general obligation school bonds.

On September 5, 2006, the Board adopted a resolution approving an installment financing contract to provide for the acquisition, construction, furnishing and equipping of certain school projects. The County anticipates issuing Certificates of Participation in the approximate amount of \$77 million in November 2006 in connection with the installment financing contract.

At June 30, 2006, the County had issued \$13,495,000 of its \$110,730,000 Commercial Paper ("CP") Bond Anticipation Notes, Series 2006, program authorized by the Board on April 3, 2006. As of September 29, 2006, the County issued an additional \$31,500,000 for an aggregate amount \$44,995,000 in CP Notes outstanding. The County anticipates issuing the balance of the CP Note authorization in the amount of \$65,735,000 during fiscal year 2007. The County also anticipates issuing \$110,730,000 Variable Rate General Obligation Bonds, Series 2007 ("2007 Bonds") in late fiscal year 2007 to discharge the Series 2006 CP Notes program. If the November 2006 referendum is approved by the voters, the County anticipates issuing additional general obligation debt with the 2007 Bonds.

Required Supplementary Information

This section contains additional information required by generally accepted accounting principles.

Required Supplementary Information - Schedule of Funding Progress for Special Separation Allowance

Required Supplementary Information - Schedule of Employer Contributions for Special Separation Allowance

Notes to the Required Schedules for Special Separation Allowance

**Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress**

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date - Year Ended December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll for Year Ending on Valuation Date	UAAL as a Percentage of Covered Payroll (3) / (5)
1995	\$ 680,880	\$ 1,608,531	\$ 927,651	42.33%	\$ 16,937,212	5.48%
1996	782,673	1,911,488	1,128,815	40.95%	17,727,009	6.37%
1997	877,247	2,195,993	1,318,746	39.95%	17,541,353	7.52%
1998	951,087	2,313,879	1,362,792	41.10%	18,564,084	7.34%
1999	1,032,298	2,560,399	1,528,101	40.32%	19,421,640	7.87%
2000	1,113,733	3,492,035	2,378,302	31.89%	22,061,331	10.78%
2001	1,267,791	3,814,601	2,546,810	33.24%	23,829,235	10.69%
2002	1,352,025	4,425,576	3,073,551	30.55%	25,006,925	12.29%
2003	1,338,398	4,887,407	3,549,009	27.38%	28,135,434	12.61%
2004	1,293,203	5,344,110	4,050,907	24.20%	28,814,222	14.06%
2005	1,256,392	5,465,377	4,208,985	22.99%	32,224,179	13.06%

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability (AAL), and unfunded actuarial accrued liability (UAAL) in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employees' Retirement System (PERS). Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS. Ten year historical trend information for a single employer PERS is required supplementary information.

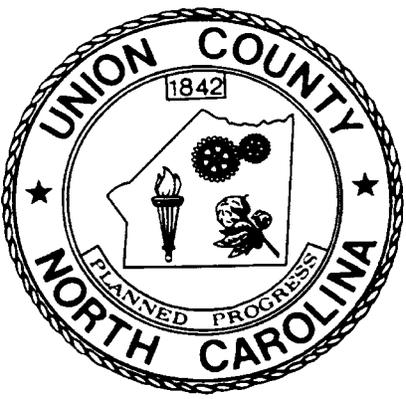
**Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions**

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2001	\$ 267,109	88%
2002	305,659	116%
2003	332,581	110%
2004	359,209	117%
2005	409,880	106%
2006	457,930	156%

Notes to the Required Schedules:

The information presented in the required supplemental schedules was determined as a part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period at December 31, 2005	25 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	7.25%
Projected salary increases *	4.5% to 14.7% per year
* Includes inflation at	3.75%
Cost-of-living adjustments	Not included



Combining and Individual Fund Statements

Combining Balance Sheet
Nonmajor Governmental Funds
 June 30, 2006

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 2,885,680	\$ 15,128,687	\$ 232,052	\$ 18,246,419
Property taxes receivable (net)	35,093	-	-	35,093
Accounts receivable (net)	250,076	-	1,482	251,558
Cash and investments, restricted	247,721	-	2,385	250,106
Total assets	<u>\$ 3,418,570</u>	<u>\$ 15,128,687</u>	<u>\$ 235,919</u>	<u>\$ 18,783,176</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 27,281	\$ -	\$ 9,091	\$ 36,372
Deferred revenue	35,093	-	-	35,093
Unearned revenue	2,214	-	-	2,214
Liabilities payable from restricted assets	25,156	-	-	25,156
Total liabilities	<u>89,744</u>	<u>-</u>	<u>9,091</u>	<u>98,835</u>
FUND BALANCES				
Reserved for encumbrances	317,562	-	22,919	340,481
Reserved by State statute	250,076	-	1,482	251,558
Reserved for drug enforcement	222,565	-	-	222,565
Designated for subsequent years' expenditures	225,697	15,128,687	145,208	15,499,592
Designated for special purpose	15,000	-	57,219	72,219
Undesignated	2,297,926	-	-	2,297,926
Total fund balances	<u>3,328,826</u>	<u>15,128,687</u>	<u>226,828</u>	<u>18,684,341</u>
Total liabilities and fund balances	<u>\$ 3,418,570</u>	<u>\$ 15,128,687</u>	<u>\$ 235,919</u>	<u>\$ 18,783,176</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances**Nonmajor Governmental Funds**

For the Year Ended June 30, 2006

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Ad valorem taxes	\$ 1,568,273	\$ -	\$ -	\$ 1,568,273
Local option sales tax	596,206	-	-	596,206
Other taxes and licenses	1,053,638	-	-	1,053,638
Intergovernmental	75,447	-	-	75,447
Permits and fees	1,410,211	-	-	1,410,211
Sales and services	10,000	-	-	10,000
Investment earnings	88,249	-	4,709	92,958
Miscellaneous	22,306	-	-	22,306
Total revenues	<u>4,824,330</u>	<u>-</u>	<u>4,709</u>	<u>4,829,039</u>
EXPENDITURES				
Current:				
Public safety	4,305,127	-	-	4,305,127
Capital outlay:				
Cultural and recreational	-	-	28,508	28,508
Total expenditures	<u>4,305,127</u>	<u>-</u>	<u>28,508</u>	<u>4,333,635</u>
Excess (deficiency) of revenues over (under) expenditures	519,203	-	(23,799)	495,404
OTHER FINANCING SOURCES				
Transfers from other funds	<u>26,806</u>	<u>5,875,733</u>	<u>-</u>	<u>5,902,539</u>
Net change in fund balances	546,009	5,875,733	(23,799)	6,397,943
FUND BALANCES				
Beginning	<u>2,782,817</u>	<u>9,252,954</u>	<u>250,627</u>	<u>12,286,398</u>
Ending	<u>\$ 3,328,826</u>	<u>\$ 15,128,687</u>	<u>\$ 226,828</u>	<u>\$ 18,684,341</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Hemby Bridge Fire District Fund	Stallings Fire District Fund	Wesley Chapel Fire District Fund	Fee Supported Fire Districts Fund	Emergency Telephone System Fund	General Special Revenue Fund	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and investments	\$ 70,928	\$ 107,018	\$ 73,764	\$ 19,330	\$ 2,614,640	\$ -	\$ 2,885,680
Property taxes receivable (net)	13,586	16,434	5,073	-	-	-	35,093
Accounts receivable (net)	54,764	49,079	50,168	-	88,401	7,664	250,076
Cash and investments, restricted	-	-	-	-	-	247,721	247,721
Total assets	<u>\$ 139,278</u>	<u>\$ 172,531</u>	<u>\$ 129,005</u>	<u>\$ 19,330</u>	<u>\$ 2,703,041</u>	<u>\$ 255,385</u>	<u>\$ 3,418,570</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 3,847	\$ 23,434	\$ -	\$ 27,281
Deferred revenue	13,586	16,434	5,073	-	-	-	35,093
Unearned revenue	1,010	628	576	-	-	-	2,214
Liabilities payable from restricted assets	-	-	-	-	-	25,156	25,156
Total liabilities	<u>14,596</u>	<u>17,062</u>	<u>5,649</u>	<u>3,847</u>	<u>23,434</u>	<u>25,156</u>	<u>89,744</u>
FUND BALANCES							
Reserved for encumbrances	-	-	-	-	317,562	-	317,562
Reserved by State statute	54,764	49,079	50,168	-	88,401	7,664	250,076
Reserved for drug enforcement	-	-	-	-	-	222,565	222,565
Unreserved							
Designated for subsequent years' expenditures	57,438	96,102	69,157	3,000	-	-	225,697
Designated for special purpose	-	-	-	-	15,000	-	15,000
Undesignated	12,480	10,288	4,031	12,483	2,258,644	-	2,297,926
Total fund balances	<u>124,682</u>	<u>155,469</u>	<u>123,356</u>	<u>15,483</u>	<u>2,679,607</u>	<u>230,229</u>	<u>3,328,826</u>
Total liabilities and fund balances	<u>\$ 139,278</u>	<u>\$ 172,531</u>	<u>\$ 129,005</u>	<u>\$ 19,330</u>	<u>\$ 2,703,041</u>	<u>\$ 255,385</u>	<u>\$ 3,418,570</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances**Nonmajor Special Revenue Funds**

For the Year Ended June 30, 2006

	Hemby Bridge Fire District Fund	Stallings Fire District Fund	Wesley Chapel Fire District Fund	Fee Supported Fire Districts Fund	Emergency Telephone System Fund	General Special Revenue Fund	Total Nonmajor Special Revenue Funds
REVENUES							
Ad valorem taxes	\$ 590,511	\$ 541,311	\$ 436,451	\$ -	\$ -	\$ -	\$ 1,568,273
Local option sales tax	220,106	222,272	153,828	-	-	-	596,206
Other taxes and licenses	-	-	-	-	1,053,638	-	1,053,638
Intergovernmental	-	-	-	-	-	75,447	75,447
Permits and fees	-	-	-	1,410,211	-	-	1,410,211
Sales and services	-	-	-	-	-	10,000	10,000
Investment earnings	-	-	-	-	80,052	8,197	88,249
Miscellaneous	-	-	-	-	-	22,306	22,306
Total revenues	<u>810,617</u>	<u>763,583</u>	<u>590,279</u>	<u>1,410,211</u>	<u>1,133,690</u>	<u>115,950</u>	<u>4,824,330</u>
EXPENDITURES							
Current:							
Public safety	<u>778,400</u>	<u>768,614</u>	<u>517,213</u>	<u>1,444,564</u>	<u>674,286</u>	<u>122,050</u>	<u>4,305,127</u>
Excess (deficiency) of revenues over (under) expenditures	32,217	(5,031)	73,066	(34,353)	459,404	(6,100)	519,203
OTHER FINANCING SOURCES							
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,806</u>	<u>26,806</u>
Net change in fund balances	32,217	(5,031)	73,066	(34,353)	459,404	20,706	546,009
FUND BALANCES							
Beginning	<u>92,465</u>	<u>160,500</u>	<u>50,290</u>	<u>49,836</u>	<u>2,220,203</u>	<u>209,523</u>	<u>2,782,817</u>
Ending	<u>\$ 124,682</u>	<u>\$ 155,469</u>	<u>\$ 123,356</u>	<u>\$ 15,483</u>	<u>\$ 2,679,607</u>	<u>\$ 230,229</u>	<u>\$ 3,328,826</u>

Combining Balance Sheet
Nonmajor Capital Project Funds
 June 30, 2006

	Library Capital Reserve Fund	Library Capital Project Fund	School Bond Fund-58	Total Nonmajor Capital Project Funds
ASSETS				
Cash and investments	\$ 146,655	\$ 85,397	\$ -	\$ 232,052
Accounts receivable (net)	1,482	-	-	1,482
Cash and investments, restricted	-	-	2,385	2,385
Total assets	<u>\$ 148,137</u>	<u>\$ 85,397</u>	<u>\$ 2,385</u>	<u>\$ 235,919</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 9,091	\$ -	\$ 9,091
FUND BALANCES				
Reserved for encumbrances	-	22,919	-	22,919
Reserved by State statute	1,482	-	-	1,482
Unreserved				
Designated for subsequent years' expenditures	89,436	53,387	2,385	145,208
Designated for special purpose	57,219	-	-	57,219
Total fund balances	<u>148,137</u>	<u>76,306</u>	<u>2,385</u>	<u>226,828</u>
Total liabilities and fund balances	<u>\$ 148,137</u>	<u>\$ 85,397</u>	<u>\$ 2,385</u>	<u>\$ 235,919</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Project Funds

For the Year Ended June 30, 2006

	Library Capital Reserve Fund	Library Capital Project Fund	School Bond Fund-58	Total Nonmajor Capital Project Funds
REVENUES				
Investment earnings	\$ 4,709	\$ -	\$ -	\$ 4,709
EXPENDITURES				
Capital outlay:				
Cultural and recreational	-	28,508	-	28,508
Excess (deficiency) of revenues over (under) expenditures	4,709	(28,508)	-	(23,799)
FUND BALANCES				
Beginning	143,428	104,814	2,385	250,627
Ending	\$ 148,137	\$ 76,306	\$ 2,385	\$ 226,828

Combining Statement of Net Assets**Internal Service Funds**

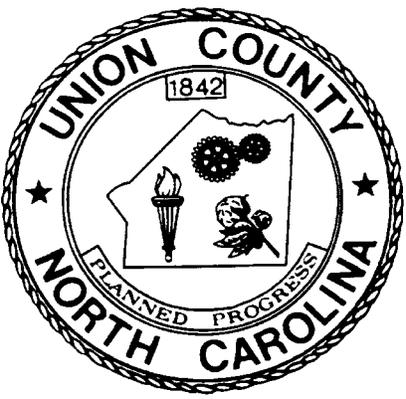
June 30, 2006

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 862,455	\$ 1,967,882	\$ 269,959	\$ 3,100,296
Accounts receivable (net)	146,654	19,866	2,733	169,253
Total current assets	<u>1,009,109</u>	<u>1,987,748</u>	<u>272,692</u>	<u>3,269,549</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	93,987	12,483	4,711	111,181
Workers' compensation claims payable	-	128,037	-	128,037
Health care benefits payable	<u>717,400</u>	<u>-</u>	<u>-</u>	<u>717,400</u>
Total current liabilities	<u>811,387</u>	<u>140,520</u>	<u>4,711</u>	<u>956,618</u>
NET ASSETS				
Unrestricted	<u>\$ 197,722</u>	<u>\$ 1,847,228</u>	<u>\$ 267,981</u>	<u>\$ 2,312,931</u>

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**Internal Service Funds**

For the Year Ended June 30, 2006

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
OPERATING REVENUES				
Interfund charges and employee contributions	\$ 6,403,047	\$ -	\$ 744,603	\$ 7,147,650
OPERATING EXPENSES				
Operating expenses	654,213	84,587	-	738,800
Workers' compensation claims	-	289,117	-	289,117
Health benefit claims and premiums	5,859,648	-	-	5,859,648
Property and casualty claims and premiums	-	-	605,877	605,877
Total operating expenses	<u>6,513,861</u>	<u>373,704</u>	<u>605,877</u>	<u>7,493,442</u>
Operating income (loss)	(110,814)	(373,704)	138,726	(345,792)
NONOPERATING REVENUES				
Investment earnings	<u>22,883</u>	<u>64,736</u>	<u>6,538</u>	<u>94,157</u>
Change in net assets	(87,931)	(308,968)	145,264	(251,635)
NET ASSETS				
Beginning	285,653	2,156,196	122,717	2,564,566
Ending	<u>\$ 197,722</u>	<u>\$ 1,847,228</u>	<u>\$ 267,981</u>	<u>\$ 2,312,931</u>



Combining Statement of Cash Flows
Internal Service Funds

For the Year Ended June 30, 2006

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
OPERATING ACTIVITIES				
Cash received from customers for services	\$ 6,360,230	\$ (2,051)	\$ 742,857	\$ 7,101,036
Cash paid for goods and services	(6,379,514)	(292,360)	(601,166)	(7,273,040)
Net cash provided (used) by operating activities	(19,284)	(294,411)	141,691	(172,004)
INVESTING ACTIVITIES				
Investment earnings	22,883	64,736	6,538	94,157
Net increase (decrease) in cash and investments	3,599	(229,675)	148,229	(77,847)
CASH AND INVESTMENTS				
Beginning of year	858,856	2,197,557	121,730	3,178,143
End of year	<u>\$ 862,455</u>	<u>\$ 1,967,882</u>	<u>\$ 269,959</u>	<u>\$ 3,100,296</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (110,814)	\$ (373,704)	\$ 138,726	\$ (345,792)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities				
Increase in accounts receivable	(42,817)	(2,051)	(1,746)	(46,614)
Increase in accounts payable and accrued liabilities	134,347	81,344	4,711	220,402
Total adjustments	91,530	79,293	2,965	173,788
Net cash provided (used) by operating activities	<u>\$ (19,284)</u>	<u>\$ (294,411)</u>	<u>\$ 141,691</u>	<u>\$ (172,004)</u>

Union County, North Carolina

Combining Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2006

	Social Services Fund	Fines and Forfeitures Fund	Jail Inmate Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 55,038	\$ 95,722	\$ 21,582
Property taxes receivable (net)	-	-	-
Accounts receivable (net)	-	103,151	-
Total assets	<u>\$ 55,038</u>	<u>\$ 198,873</u>	<u>\$ 21,582</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 198,873	\$ -
Due to program participants	55,038	-	21,582
Total liabilities	<u>\$ 55,038</u>	<u>\$ 198,873</u>	<u>\$ 21,582</u>

Schedule 10

Monroe School District Fund	Union County School District Fund	Municipal Tax Collection Fund	Gross Rental Receipts Tax Fund	Dept St. Treas Motor Vehicle Tax Fund	Totals
\$ 11,328	\$ 108,661	\$ 190,524	\$ 911	\$ 5,259	\$ 489,025
50,107	259,598	-	-	-	309,705
106,976	879,488	-	-	-	1,089,615
<u>\$ 168,411</u>	<u>\$ 1,247,747</u>	<u>\$ 190,524</u>	<u>\$ 911</u>	<u>\$ 5,259</u>	<u>\$ 1,888,345</u>
\$ 168,411	\$ 1,247,747	\$ 190,524	\$ 911	\$ 5,259	\$ 1,811,725
-	-	-	-	-	76,620
<u>\$ 168,411</u>	<u>\$ 1,247,747</u>	<u>\$ 190,524</u>	<u>\$ 911</u>	<u>\$ 5,259</u>	<u>\$ 1,888,345</u>



General Fund

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.



**General Fund
Comparative Balance Sheets**
June 30, 2006 and 2005

	June 30, 2006	June 30, 2005
ASSETS		
Cash and investments	\$ 46,856,908	\$ 63,299,538
Property taxes receivable (net)	2,359,493	2,091,153
Accounts receivable (net)	11,946,827	9,893,078
Inventories	29,368	33,491
Cash and investments, restricted	2,847	3,072
Total assets	<u>\$ 61,195,443</u>	<u>\$ 75,320,332</u>
LIABILITES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,599,828	\$ 4,162,462
Deferred revenue	2,359,493	2,091,153
Unearned revenue	111,812	806,295
Deposits	4,516,391	3,862,936
Total liabilities	<u>11,587,524</u>	<u>10,922,846</u>
FUND BALANCE		
Reserved for encumbrances	1,116,621	558,752
Reserved by State statute	11,976,195	9,926,569
Unreserved		
Designated for subsequent year's expenditures	6,934,867	6,842,748
Designated for special purpose	2,428,130	1,574,523
Undesignated	27,152,106	45,494,894
Total fund balance	<u>49,607,919</u>	<u>64,397,486</u>
Total liabilities and fund balance	<u>\$ 61,195,443</u>	<u>\$ 75,320,332</u>

General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	2006		Variance Positive (Negative)	2005
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 79,096,031	\$ 80,484,050	\$ 1,388,019	\$ 69,333,521
Prior years' levy	1,540,000	1,598,916	58,916	1,459,728
Animal taxes, penalties and interest	800,960	477,173	(323,787)	510,411
Total	81,436,991	82,560,139	1,123,148	71,303,660
Local option sales tax	25,016,175	28,531,924	3,515,749	24,850,749
Other taxes and licenses	2,420,000	3,058,141	638,141	2,421,248
Intergovernmental	19,505,695	19,544,524	38,829	17,940,152
Permits and fees	7,894,940	9,603,600	1,708,660	8,516,173
Sales and services	3,929,198	4,227,737	298,539	3,561,745
Investment earnings	2,089,000	2,508,882	419,882	1,946,602
Miscellaneous	2,414,436	3,350,505	936,069	2,784,086
Total revenues	144,706,435	153,385,452	8,679,017	133,324,415
EXPENDITURES				
General Government				
Board of Commissioners	356,191	281,033	75,158	280,472
Central Administration	602,967	510,498	92,469	555,643
County Dues and Memberships	104,900	103,965	935	93,667
Internal Audit	84,464	82,315	2,149	76,399
Legal	290,037	287,706	2,331	267,327
Personnel	531,777	506,712	25,065	436,712
Finance	818,476	752,691	65,785	744,655
Tax Administration	3,507,943	3,056,081	451,862	2,806,571
Court Facilities	2,519,583	2,314,303	205,280	1,986,972
Elections	1,684,120	1,334,492	349,628	696,769
Register of Deeds	1,103,614	1,054,946	48,668	870,669
Information Systems	1,676,850	1,463,750	213,100	1,457,420
G.I.S. Department	341,617	305,745	35,872	326,679
General Services	714,659	649,677	64,982	1,605,612
Total General Government	14,337,198	12,703,914	1,633,284	12,205,567
Public Safety				
Law Enforcement	15,591,391	14,772,506	818,885	13,509,098
Communications	1,899,099	1,465,940	433,159	1,438,368
Homeland Security	281,420	241,303	40,117	364,179
Fire Services	1,263,492	1,161,252	102,240	980,091
Inspection	2,058,515	2,031,996	26,519	2,053,769
Animal Control	76,916	76,909	7	410,390
Medical Examiner	45,000	40,700	4,300	39,425
Emergency Medical Services	3,714,869	3,714,869	-	3,664,554
Juvenile Detention	110,000	95,088	14,912	89,680
American Red Cross	5,000	5,000	-	-
Total Public Safety	25,045,702	23,605,563	1,440,139	22,549,554

Continued on next page.

General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	2006		Variance Positive (Negative)	2005
	Final Budget	Actual		Actual
EXPENDITURES (Continued)				
Economic and Physical Development				
Planning	\$ 668,700	\$ 405,507	\$ 263,193	\$ 334,590
Economic Development Commission	695,687	282,789	412,898	319,501
Cooperative Extension Service	606,953	398,364	208,589	273,812
Soil Conservation	162,196	75,990	86,206	108,553
Forest Management	45,918	45,918	-	37,326
<i>Total Economic and Physical Development</i>	<u>2,179,454</u>	<u>1,208,568</u>	<u>970,886</u>	<u>1,073,782</u>
Human Services				
Health	6,593,948	6,325,762	268,186	5,686,772
Mental Health	649,561	640,848	8,713	638,830
Social Services	25,737,181	24,497,083	1,240,098	22,789,029
Other Human Services				
JCPC - Programs	331,751	269,390	62,361	371,091
Disproportionate Minority Counselor	142,086	33,810	108,276	37,591
Turning Point	25,000	25,000	-	25,000
Transportation and Nutrition	1,351,679	1,297,555	54,124	1,045,912
Charlotte Area Transportation	46,743	44,940	1,803	47,736
Veterans' Service	209,035	203,058	5,977	200,910
UDI (Sheltered Workshop)	28,500	28,500	-	26,500
Community Action	76,338	76,338	-	76,338
Council on Aging	264,282	261,604	2,678	271,014
Community Shelter	10,000	10,000	-	10,000
Criminal Justice Partnership	107,077	59,144	47,933	61,126
Other Human Services	-	-	-	5,280
<i>Total Human Services</i>	<u>35,573,181</u>	<u>33,773,032</u>	<u>1,800,149</u>	<u>31,293,129</u>
Cultural and Recreational				
Library	4,123,342	3,636,041	487,301	3,376,360
Parks and Recreation	1,644,323	1,439,369	204,954	1,438,667
Arts Council	45,000	45,000	-	45,000
Historical Properties	5,000	5,000	-	5,000
A. J. Historical Foundation	5,000	5,000	-	5,000
<i>Total Cultural and Recreational</i>	<u>5,822,665</u>	<u>5,130,410</u>	<u>692,255</u>	<u>4,870,027</u>
Education				
Public Schools - current expense	31,219,598	31,219,598	-	25,617,925
Public Schools - capital outlay	-	-	-	67
Public Schools - education planning	-	-	-	48,410
Subtotal	<u>31,219,598</u>	<u>31,219,598</u>	<u>-</u>	<u>25,666,402</u>
Community College	7,890	-	7,890	6,171
Community College - operations	920,500	920,500	-	765,865
Literacy Efforts	2,000	2,000	-	2,000
<i>Total Education</i>	<u>32,149,988</u>	<u>32,142,098</u>	<u>7,890</u>	<u>26,440,438</u>

Continued on next page.

General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	2006		Variance Positive (Negative)	2005
	Final Budget	Actual		Actual
EXPENDITURES (Continued)				
Debt Service				
School Debt Service				
Principal retirement	\$ 12,415,632	\$ 12,415,632	\$ -	\$ 7,463,320
Interest and fees	8,807,509	8,807,509	-	7,123,137
Total	<u>21,223,141</u>	<u>21,223,141</u>	<u>-</u>	<u>14,586,457</u>
General Debt Service				
Principal retirement	1,315,250	1,315,247	3	1,264,476
Interest and fees	1,215,300	1,213,130	2,170	1,261,355
Total	<u>2,530,550</u>	<u>2,528,377</u>	<u>2,173</u>	<u>2,525,831</u>
<i>Total Debt Service</i>	<u>23,753,691</u>	<u>23,751,518</u>	<u>2,173</u>	<u>17,112,288</u>
Contingency	<u>223,127</u>	-	<u>223,127</u>	-
Nondepartmental	<u>23,926</u>	-	<u>23,926</u>	-
Total expenditures	<u>139,108,932</u>	<u>132,315,103</u>	<u>6,793,829</u>	<u>115,544,785</u>
Revenues over expenditures	<u>5,597,503</u>	<u>21,070,349</u>	<u>15,472,846</u>	<u>17,779,630</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
General Capital Project Fund	772,982	772,981	(1)	794,841
Transfers to other funds:				
School Debt Service Reserve Fund	(5,875,733)	(5,875,733)	-	(8,336,524)
General Special Revenue Fund	(26,806)	(26,806)	-	-
General Capital Project Fund	(30,407,055)	(30,407,054)	1	(6,071,472)
Water and Sewer Capital Project Fund	(200,000)	(200,000)	-	-
Stormwater Operating Fund	(123,304)	(123,304)	-	(131,307)
Proceeds from refunding general obligation bonds	-	-	-	21,630,000
Payments to refunded bonds escrow agents	-	-	-	(21,630,000)
Total other financing sources (uses)	<u>(35,859,916)</u>	<u>(35,859,916)</u>	<u>-</u>	<u>(13,744,462)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(30,262,413)</u>	<u>(14,789,567)</u>	<u>15,472,846</u>	<u>4,035,168</u>
APPROPRIATED FUND BALANCE	<u>30,262,413</u>	-	<u>(30,262,413)</u>	-
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(14,789,567)</u>	<u>\$ (14,789,567)</u>	<u>4,035,168</u>
FUND BALANCE				
Beginning		64,397,486		60,362,318
Ending		<u>\$ 49,607,919</u>		<u>\$ 64,397,486</u>

Special Revenue Funds

Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Hemby Bridge Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

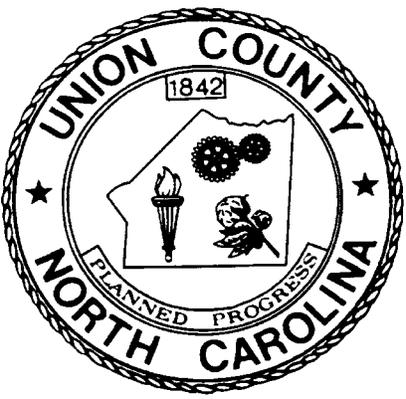
Stallings Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

Wesley Chapel Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

Emergency Telephone System Fund - This fund accounts for the user fees charged to support the emergency telephone system.

Fee Supported Fire Districts Fund - This fund accounts for the fees levied in these fire districts in Union County.

General Special Revenue Fund - This multi-year fund accounts for multi-year special revenues.



Hemby Bridge Fire District Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	2006		Variance	2005
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 559,006	\$ 579,162	\$ 20,156	\$ 554,387
Prior years' levy	-	9,152	9,152	5,480
Penalties and interest	-	2,197	2,197	1,913
Total	<u>559,006</u>	<u>590,511</u>	<u>31,505</u>	<u>561,780</u>
Local option sales tax	<u>196,558</u>	<u>220,106</u>	<u>23,548</u>	<u>181,365</u>
Total revenues	<u>755,564</u>	<u>810,617</u>	<u>55,053</u>	<u>743,145</u>
EXPENDITURES				
Current				
Public Safety	<u>778,400</u>	<u>778,400</u>	-	<u>718,400</u>
Revenues over (under) expenditures	(22,836)	32,217	55,053	24,745
APPROPRIATED FUND BALANCE				
	<u>22,836</u>	-	<u>(22,836)</u>	-
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	32,217	<u>\$ 32,217</u>	24,745
FUND BALANCE				
Beginning of year - July 1		<u>92,465</u>		<u>67,720</u>
End of year - June 30		<u>\$ 124,682</u>		<u>\$ 92,465</u>

Stallings Fire District Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	2006		Variance	2005
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 469,078	\$ 530,084	\$ 61,006	\$ 582,175
Prior years' levy	-	9,234	9,234	5,496
Penalties and interest	-	1,993	1,993	2,442
Total	<u>469,078</u>	<u>541,311</u>	<u>72,233</u>	<u>590,113</u>
Local option sales tax	<u>205,223</u>	<u>222,272</u>	<u>17,049</u>	<u>178,416</u>
Total revenues	<u>674,301</u>	<u>763,583</u>	<u>89,282</u>	<u>768,529</u>
EXPENDITURES				
Current				
Public Safety	<u>768,614</u>	<u>768,614</u>	-	<u>651,584</u>
Revenues over (under) expenditures	(94,313)	(5,031)	89,282	116,945
APPROPRIATED FUND BALANCE	<u>94,313</u>	<u>-</u>	<u>(94,313)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(5,031)</u>	<u>\$ (5,031)</u>	<u>116,945</u>
FUND BALANCE				
Beginning of year - July 1		<u>160,500</u>		<u>43,555</u>
End of year - June 30		<u>\$ 155,469</u>		<u>\$ 160,500</u>

Wesley Chapel Fire District Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	2006		Variance	2005
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 361,201	\$ 430,885	\$ 69,684	\$ 347,414
Prior years' levy	-	4,185	4,185	3,518
Penalties and interest	-	1,381	1,381	1,041
Total	<u>361,201</u>	<u>436,451</u>	<u>75,250</u>	<u>351,973</u>
Local option sales tax	<u>124,662</u>	<u>153,828</u>	<u>29,166</u>	<u>120,785</u>
Total revenues	<u>485,863</u>	<u>590,279</u>	<u>104,416</u>	<u>472,758</u>
EXPENDITURES				
Current				
Public Safety	<u>517,213</u>	<u>517,213</u>	-	<u>422,380</u>
Revenues over (under) expenditures	(31,350)	73,066	104,416	50,378
APPROPRIATED FUND BALANCE	<u>31,350</u>	<u>-</u>	<u>(31,350)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	73,066	<u>\$ 73,066</u>	-
FUND BALANCE				
Beginning of year - July 1		<u>50,290</u>		<u>(88)</u>
End of year - June 30		<u>\$ 123,356</u>		<u>\$ 50,290</u>

Fee Supported Fire Districts Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	2006		Variance	2005
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Permits and fees	\$ 1,462,576	\$ 1,410,211	\$ (52,365)	\$ 1,389,002
EXPENDITURES				
Current				
Public Safety	<u>1,462,576</u>	<u>1,444,564</u>	<u>18,012</u>	<u>1,348,521</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(34,353)</u>	<u>\$ (34,353)</u>	<u>40,481</u>
FUND BALANCE				
Beginning of year - July 1		<u>49,836</u>		<u>9,355</u>
End of year - June 30		<u>\$ 15,483</u>		<u>\$ 49,836</u>

Emergency Telephone System Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

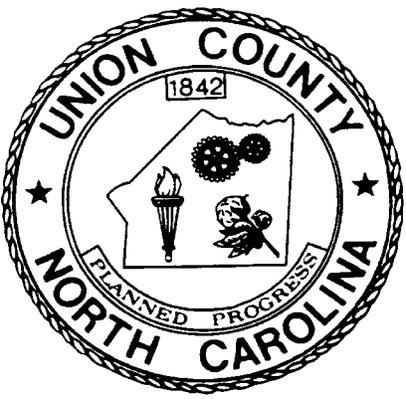
	2006		Variance	2005
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Other taxes and licenses				
911 system subscriber fees	\$ 989,040	\$ 1,053,638	\$ 64,598	\$ 1,036,458
Investment earnings	60,170	80,052	19,882	52,186
Total revenues	<u>1,049,210</u>	<u>1,133,690</u>	<u>84,480</u>	<u>1,088,644</u>
EXPENDITURES				
Current				
Public Safety	<u>1,231,072</u>	<u>674,286</u>	<u>556,786</u>	<u>983,990</u>
Revenues over (under) expenditures	(181,862)	459,404	641,266	104,654
APPROPRIATED FUND BALANCE	<u>181,862</u>	<u>-</u>	<u>(181,862)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	459,404	<u>\$ 459,404</u>	104,654
FUND BALANCE				
Beginning of year - July 1		<u>2,220,203</u>		<u>2,115,549</u>
End of year - June 30		<u>\$ 2,679,607</u>		<u>\$ 2,220,203</u>

General Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2006

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 890,316	\$ 474,001	\$ 75,447	\$ 549,448	\$ (340,868)
Sales and services	10,000	-	10,000	10,000	-
Investment earnings	1,066	5,068	22,306	27,374	26,308
Miscellaneous	5,350	16,059	8,197	24,256	18,906
Total revenues	<u>906,732</u>	<u>495,128</u>	<u>115,950</u>	<u>611,078</u>	<u>(295,654)</u>
EXPENDITURES					
Current					
Public Safety					
Law Enforcement-federal forfeited prop.	102,553	12,746	10,530	23,276	79,277
Law Enforcement-controlled sub. tax	111,988	38,038	27,414	65,452	46,536
Law Enforcement-domestic violence	192,000	142,330	30,718	173,048	18,952
Law Enforcement-2003 LLEBG	-	17,910	-	17,910	(17,910)
Homeland Security-Catawba Nuclear	25,575	-	5,869	5,869	19,706
Homeland Security-FY03 U.S. grant	380,683	205,301	47,462	252,763	127,920
Homeland Security-FY04 U.S. grant	247,326	19,598	-	19,598	227,728
Homeland Security-FY05 CERT grant	12,500	-	57	57	12,443
Total expenditures	<u>1,072,625</u>	<u>435,923</u>	<u>122,050</u>	<u>557,973</u>	<u>514,652</u>
Revenues over (under) expenditures	(165,893)	59,205	(6,100)	53,105	218,998
OTHER FINANCING SOURCES					
Transfers in					
General Fund	<u>165,893</u>	<u>150,318</u>	<u>26,806</u>	<u>177,124</u>	<u>11,231</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 209,523</u>	<u>20,706</u>	<u>\$ 230,229</u>	<u>\$ 230,229</u>
FUND BALANCE					
Beginning of year - July 1			<u>209,523</u>		
End of year - June 30			<u>\$ 230,229</u>		

Debt Service Fund

The Debt Service Fund accounts for the accumulation of governmental resources for a debt service reserve fund.

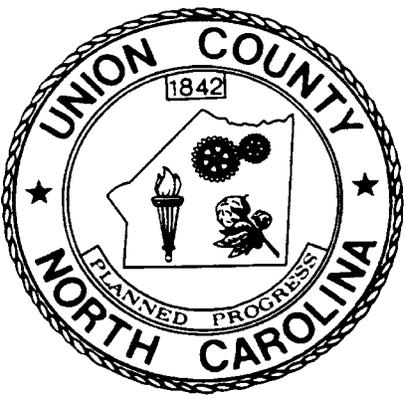


Debt Service Fund
Schedule of Revenues and Changes
in Fund Balance

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	<u>2006</u>	<u>2005</u>
OTHER FINANCING SOURCES		
Transfers in		
General Fund	\$ 5,875,733	\$ 8,336,524
FUND BALANCE		
Beginning of year - July 1	<u>9,252,954</u>	<u>916,430</u>
End of year - June 30	<u>\$ 15,128,687</u>	<u>\$ 9,252,954</u>



Capital Project Funds

Capital Project Funds account for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

General Capital Project Fund - This fund accounts for various capital improvement projects that will be financed from General Fund resources and installment financing(s).

Library Capital Reserve Fund - This fund is established to accumulate monies for construction, repair and replacement or additions to the main library.

Library Capital Project Fund - This fund accounts for capital improvements to the main library and satellite libraries within the County. These improvements are funded by transfers from the General Fund, contributions and donations.

School Bond Fund-55 - This fund accounts for capital asset acquisition and construction, financed with general obligation bond proceeds, for the Union County Public Schools.

School Bond Fund-58 - This fund accounts for capital asset acquisition and construction, financed with general obligation bond proceeds, for the Union County Public Schools.



General Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2006

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Other taxes and licenses	\$ 121,336	\$ -	\$ -	\$ -	\$ (121,336)
Intergovernmental	1,200,000	250,000	103,251	353,251	(846,749)
Investment earnings	740,000	566,663	299,314	865,977	125,977
Miscellaneous	120,000	120,000	-	120,000	-
Total revenues	<u>2,181,336</u>	<u>936,663</u>	<u>402,565</u>	<u>1,339,228</u>	<u>(842,108)</u>
EXPENDITURES					
Capital outlay					
General Government					
Judicial Center	15,126,496	14,351,379	754,251	15,105,630	20,866
Government Facility Renovations	1,950,111	-	164,647	164,647	1,785,464
Historic Post Office	117,489	-	36,744	36,744	80,745
Public Safety					
Law Enforcement-Jail Software	164,518	159,618	-	159,618	4,900
Law Enforcement-Animal Shelter	1,742,794	54,722	939,744	994,466	748,328
Law Enforcement-Jail Expansion	467,500	5,355	334,518	339,873	127,627
Law Enforcement-Firearms Range	525,000	-	-	-	525,000
Economic and Physical Development					
Agricultural/One-Stop Permit Center	6,172,035	3,010,933	3,108,274	6,119,207	52,828
Cultural and Recreation					
Parks & Recreation-2004 PARTF Grant	500,000	491,417	-	491,417	8,583
Parks & Recreation-Potential Grant	140,000	42,304	-	42,304	97,696
Cane Creek Park-Festival Area	60,000	59,594	-	59,594	406
Parks & Recreation-J. Helms Park Ph.1	550,000	5,000	55,540	60,540	489,460
Parks & Recreation-FY2005	500,000	68,483	23,951	92,434	407,566
Parks & Recreation-J. Helms Park Ph.2	500,000	-	57,427	57,427	442,573
Parks & Recreation-J. Helms Park Ph.3	981,000	-	-	-	981,000
Parks & Recreation-J. Helms Park Ph.3	397,000	-	-	-	397,000
Education					
School Capital Outlay-FY2002 Roll	764,300	764,300	-	764,300	-
School Capital Outlay-FY2003 Allocation	2,800,000	2,803,394	(3,394)	2,800,000	-
School Capital Outlay-Fairview Elem	258,363	48,837	-	48,837	209,526
School Capital Outlay-W. Bickett Elem	8,514,353	8,016,976	-	8,016,976	497,377
School Capital Outlay-FY2004 Allocation	4,027,314	3,887,077	112,347	3,999,424	27,890
School Capital Outlay-Brewer Renov/Expan	2,012,000	1,232,259	779,741	2,012,000	-
School Capital Outlay-FY2005 Allocation	7,459,825	6,374,820	1,085,005	7,459,825	-
School Capital Outlay-FY2006 Allocation	6,167,924	-	5,016,286	5,016,286	1,151,638
SPCC-Old Charlotte Hwy	2,299,264	2,283,928	15,332	2,299,260	4
SPCC-West Continuing Education Center	2,291,430	2,178,114	113,316	2,291,430	-
Debt Service					
Debt Issuance	805,224	789,009	-	789,009	16,215
Total expenditures	<u>67,293,940</u>	<u>46,627,519</u>	<u>12,593,729</u>	<u>59,221,248</u>	<u>8,072,692</u>
Revenues under expenditures	<u>(65,112,604)</u>	<u>(45,690,856)</u>	<u>(12,191,164)</u>	<u>(57,882,020)</u>	<u>7,230,584</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
General Fund	25,841,474	16,358,026	30,407,054	46,765,080	20,923,606
Emergency Telephone System Fund	66,000	66,000	-	66,000	-
Transfers out					
General Fund	(1,831,000)	(794,841)	(772,981)	(1,567,822)	263,178
Proceeds from general obligation bonds	6,230,000	1,735,000	-	1,735,000	(4,495,000)
Proceeds from installment financing debt	34,806,130	34,901,154	-	34,901,154	95,024
Total other financing sources (uses)	<u>65,112,604</u>	<u>52,265,339</u>	<u>29,634,073</u>	<u>81,899,412</u>	<u>16,786,808</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 6,574,483</u>	<u>17,442,909</u>	<u>\$ 24,017,392</u>	<u>\$ 24,017,392</u>
FUND BALANCE					
Beginning of year - July 1			<u>6,574,483</u>		
End of year - June 30			<u>\$ 24,017,392</u>		

Library Capital Reserve Fund
Schedule of Revenues and Changes
in Fund Balance

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Investment earnings	\$ 4,709	\$ 3,292
FUND BALANCE		
Beginning of year - July 1	<u>86,209</u>	<u>140,136</u>
End of year - June 30	<u>\$ 90,918</u>	<u>\$ 143,428</u>

Library Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2006

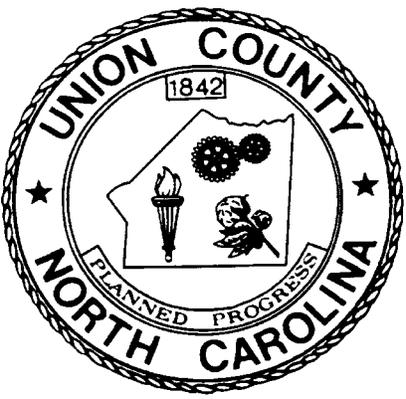
	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 868,040	\$ 868,040	\$ -	\$ 868,040	\$ -
Miscellaneous	550,741	550,741	-	550,741	-
Total revenues	<u>1,418,781</u>	<u>1,418,781</u>	<u>-</u>	<u>1,418,781</u>	<u>-</u>
EXPENDITURES					
Capital outlay					
Cultural and Recreation					
Monroe Library	4,581,175	4,573,726	-	4,573,726	7,449
Union West Library	1,805,744	1,766,859	-	1,766,859	38,885
Marshville	1,535,462	1,509,226	-	1,509,226	26,236
Weddington	32,965	32,965	-	32,965	-
Waxhaw	221,899	221,155	-	221,155	744
South West Union Library	31,500	-	28,508	28,508	2,992
Automation	24,411	24,411	-	24,411	-
Total expenditures	<u>8,233,156</u>	<u>8,128,342</u>	<u>28,508</u>	<u>8,156,850</u>	<u>76,306</u>
Revenues under expenditures	<u>(6,814,375)</u>	<u>(6,709,561)</u>	<u>(28,508)</u>	<u>(6,738,069)</u>	<u>76,306</u>
OTHER FINANCING SOURCES					
Transfers in					
General Fund	3,309,701	3,309,701	-	3,309,701	-
Library Capital Reserve Fund	680,000	680,000	-	680,000	-
Proceeds from installment financing debt	2,824,674	2,824,674	-	2,824,674	-
Total other financing sources	<u>6,814,375</u>	<u>6,814,375</u>	<u>-</u>	<u>6,814,375</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 104,814</u>	<u>(28,508)</u>	<u>\$ 76,306</u>	<u>\$ 76,306</u>
FUND BALANCE					
Beginning of year - July 1			<u>104,814</u>		
End of year - June 30			<u>\$ 76,306</u>		

School Bond Fund - 55
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2006

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Investment earnings	\$ 1,363,308	\$ 1,485,288	\$ 1,025,273	\$ 2,510,561	\$ 1,147,253
EXPENDITURES					
Capital outlay					
Education					
Forest Hills Cluster	1,827,941	1,772,531	-	1,772,531	55,410
Monroe Cluster	528,939	523,215	4,400	527,615	1,324
Parkwood Cluster	5,056,764	5,001,363	28,542	5,029,905	26,859
Piedmont Cluster	924,382	856,499	218	856,717	67,665
Sun Valley Cluster	1,795,474	1,775,164	-	1,775,164	20,310
Weddington Cluster	132,516	132,516	-	132,516	-
Porter Ridge ES	9,062,751	8,935,906	124,344	9,060,250	2,501
Kensington ES	10,998,270	8,670,355	2,109,690	10,780,045	218,225
Antioch ES	9,500,168	9,314,245	(99,844)	9,214,401	285,767
Marvin ES	7,882,388	7,882,388	-	7,882,388	-
Sandy Ridge ES (E)	11,433,777	8,003,438	3,174,406	11,177,844	255,933
Rock Rest ES (F)	12,200,294	3,464	4,928,231	4,931,695	7,268,599
New Elementary School (G)	17,411,575	149	4,834,260	4,834,409	12,577,166
New Elementary School (H)	3,282,135	-	3,035,565	3,035,565	246,570
New Elementary School (I)	1,868,350	-	282,617	282,617	1,585,733
Porter Ridge MS (A)	18,179,980	12,492,937	4,019,569	16,512,506	1,667,474
Porter Ridge HS (A)	32,272,685	27,755,110	5,096,554	32,851,664	(578,979)
Marvin Ridge MS (B)	25,989,063	1,151,564	8,765,004	9,916,568	16,072,495
Marvin Ridge HS (B)	39,108,594	1,953,548	11,551,950	13,505,498	25,603,096
New Middle School (C)	58,500	-	1,650	1,650	56,850
New High School (C)	58,500	-	1,650	1,650	56,850
CATA	21,861,434	15,727,082	5,285,792	21,012,874	848,560
Gym Projects-Forest Hills/Piedmont	17,102,468	217,300	2,183,731	2,401,031	14,701,437
Gym Projects-Monroe/Parkwood/SunValley	24,518,254	87,375	2,241,339	2,328,714	22,189,540
UCPS Matching Grant Program	155,000	-	25,698	25,698	129,302
Classroom Additions	9,622,731	-	4,783,302	4,783,302	4,839,429
Mobile Classrooms	2,329,000	-	1,925,355	1,925,355	403,645
Land costs	6,600,009	6,600,009	-	6,600,009	-
Brewer Drive Renovation	602,883	22,602	570,673	593,275	9,608
Wolfe Development Center	489,700	-	33,595	33,595	456,105
Off-site costs	-	-	-	-	-
School administrative costs	1,409,433	781,700	588,085	1,369,785	39,648
Contingency / inflation	1,060,076	-	-	-	1,060,076
Debt Service					
Debt Issuance	249,500	333,066	-	333,066	(83,566)
Total expenditures	295,573,534	119,993,526	65,496,376	185,489,902	110,083,632
Revenues under expenditures	(294,210,226)	(118,508,238)	(64,471,103)	(182,979,341)	111,230,885
OTHER FINANCING SOURCES (USES)					
Transfers out					
General Fund	(1,363,308)	(1,357,002)	-	(1,357,002)	6,306
Proceeds from general obligation bonds	295,573,534	168,265,000	-	168,265,000	(127,308,534)
Total other financing sources (uses)	294,210,226	166,907,998	-	166,907,998	(127,302,228)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 48,399,760	(64,471,103)	\$ (16,071,343)	\$ (16,071,343)
FUND BALANCE					
Beginning of year - July 1			48,399,760		
End of year - June 30			\$ (16,071,343)		

School Bond Fund - 58
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2006

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Investment earnings	\$ 2,387,488	\$ 2,376,723	\$ -	\$ 2,376,723	\$ (10,765)
EXPENDITURES					
Capital outlay					
Education					
Forest Hills Cluster	10,820,404	10,820,404	-	10,820,404	-
Monroe Cluster	7,450,741	7,450,740	-	7,450,740	1
Parkwood Cluster	8,370,516	8,370,516	-	8,370,516	-
Piedmont Cluster	11,826,695	11,826,694	-	11,826,694	1
Sun Valley Cluster	9,360,399	9,360,400	-	9,360,400	(1)
Weddington Cluster	3,671,316	3,671,317	-	3,671,317	(1)
Piedmont / Sun Valley Cluster	1,093,778	1,093,778	-	1,093,778	-
Debt Service					
Debt Issuance	106,151	106,151	-	106,151	-
Total expenditures	52,700,000	52,700,000	-	52,700,000	-
Revenues under expenditures	(50,312,512)	(50,323,277)	-	(50,323,277)	(10,765)
OTHER FINANCING SOURCES (USES)					
Transfers in					
General Fund	1,184,579	1,184,578	-	1,184,578	(1)
Transfers out					
General Fund	(3,572,067)	(3,558,916)	-	(3,558,916)	13,151
Proceeds from general obligation bonds	52,700,000	52,700,000	-	52,700,000	-
Total other financing sources (uses)	50,312,512	50,325,662	-	50,325,662	13,150
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 2,385	-	\$ 2,385	\$ 2,385
FUND BALANCE					
Beginning of year - July 1			2,385		
End of year - June 30			\$ 2,385		



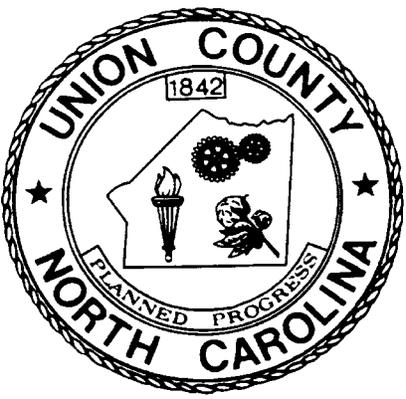
Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Fund - This fund accounts for the county's water and sewer operations.

Solid Waste Fund - This fund accounts for the county's solid waste operations.

Stormwater Fund - This fund accounts for the county's stormwater program.



Water and Sewer Operating Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	2006		Variance	2005
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Operating revenues				
Water sales	\$ 9,111,670	\$ 12,869,383	\$ 3,757,713	\$ 9,167,694
Sewer sales	8,127,800	9,036,623	908,823	7,817,795
Other operating revenues	653,890	682,609	28,719	746,300
Total	<u>17,893,360</u>	<u>22,588,615</u>	<u>4,695,255</u>	<u>17,731,789</u>
Nonoperating revenues				
Investment earnings	1,200,000	1,524,657	324,657	1,147,802
Proceeds from sale of fixed assets	75,000	68,048	(6,952)	401,642
Total	<u>1,275,000</u>	<u>1,592,705</u>	<u>317,705</u>	<u>1,549,444</u>
Total revenues	<u>19,168,360</u>	<u>24,181,320</u>	<u>5,012,960</u>	<u>19,281,233</u>
EXPENDITURES				
Administration	1,177,844	1,592,614	(414,770)	1,091,187
Water	5,427,035	5,334,674	92,361	4,614,711
Sewer-county customers	4,722,297	4,484,656	237,641	4,092,999
Sewer-Marshville/Monroe	725,542	658,167	67,375	760,664
Debt Service				
General obligation bonds - principal	2,691,294	2,691,293	1	2,971,977
Revenue bonds - principal	1,610,000	1,610,000	-	1,570,000
State sanitary loan - principal	233,697	233,697	-	233,696
Interest and fees	2,957,800	2,756,299	201,501	2,913,613
Total expenditures	<u>19,545,509</u>	<u>19,361,400</u>	<u>184,109</u>	<u>18,248,847</u>
Revenues over (under) expenditures	<u>(377,149)</u>	<u>4,819,920</u>	<u>5,197,069</u>	<u>1,032,386</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds:				
Water and Sewer Capital Project Fund	(17,500,000)	(17,500,000)	-	(10,000,000)
Capital contributions - cash	7,026,260	11,992,653	4,966,393	9,364,313
Total other financing sources (uses)	<u>(10,473,740)</u>	<u>(5,507,347)</u>	<u>4,966,393</u>	<u>(635,687)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(10,850,889)</u>	<u>(687,427)</u>	<u>10,163,462</u>	<u>396,699</u>
APPROPRIATED FUND BALANCE				
	<u>10,850,889</u>	<u>-</u>	<u>(10,850,889)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (687,427)</u>	<u>\$ (687,427)</u>	<u>\$ 396,699</u>

Water and Sewer Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Non-GAAP)
 From Inception and for the Year Ended June 30, 2006

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Nonoperating revenues					
Intergovernmental	\$ 1,996,768	\$ 35,468	\$ -	\$ 35,468	\$ (1,961,300)
Investment earnings	75,122	75,118	-	75,118	(4)
Developer contributions	64,547	64,547	-	64,547	-
Total revenues	2,136,437	175,133	-	175,133	(1,961,304)
EXPENDITURES					
Administration capital outlay					
Public Works Renovation	499,300	23,571	161,763	185,334	313,966
SCADA System Improvements	800,500	516,496	103,671	620,167	180,333
Master Plan Update	139,577	67,366	67,362	134,728	4,849
Contributed Capital	25,000	14,801	-	14,801	10,199
Water and Sewer Capital Outlay					
Misc. Sewer Rehab I & I	19,075	-	-	-	19,075
Misc. Sewer CC Manhole Rehab	95,925	-	94,000	94,000	1,925
Misc. Waterline Replacement	360,316	-	-	-	360,316
Bickett Ridge	19,565	19,564	-	19,564	1
Lawyers Rd Waterline Relocation	7,865	-	7,150	7,150	715
Hydrolic Model Indian Trail	4,569	-	-	-	4,569
Water capital outlay					
Expand CRWTP 18MGD	7,083,554	7,080,798	-	7,080,798	2,756
Rocky River WTP	137,414	100,226	2,189	102,415	34,999
CRWTP Reservoir Expansion	2,667,500	-	20,750	20,750	2,646,750
CRWTP Expansion	165,000	-	-	-	165,000
Northern Union County Water	137,500	-	9,456	9,456	128,044
Stallings Tank	455,104	455,104	-	455,104	-
Stallings Area Water Lines	660,715	660,715	-	660,715	-
Water Main to Sims Road	5,381,738	5,381,738	-	5,381,738	-
Sims Tank & Pump Station	1,454,177	1,454,177	62	1,454,239	(62)
Water Main County Wide	12,622,104	910,349	11,382,773	12,293,122	328,982
North County Tank Farm	370,009	1,798	237,278	239,076	130,933
Anson Water Improvements	1,785	1,785	-	1,785	-
Waxhaw Marvin Improvements	318,290	318,290	-	318,290	-
Waxhaw Marvin Generator	151,875	151,875	-	151,875	-
Auto Meter Read	4,208,957	699,246	2,797,188	3,496,434	712,523
Altan South Lines	2,564,779	2,478,745	10,327	2,489,072	75,707
Northwest Tank	24,689	15,914	-	15,914	8,775
NC218 Goose Creek Crossing	200,330	5,824	-	5,824	194,506
Hemby Bridge Crossing	268	-	-	-	268
Self Help Program	869	869	-	869	-
Wellington Woods Self Help	34,696	34,696	-	34,696	-
Helms Road Line Self Help	65,313	65,313	-	65,313	-
Ridge Road Pump Station	43,600	31,050	-	31,050	12,550
Western Union School Pump Station	18,100	14,960	-	14,960	3,140
Hillcrest Road Line Extension	104,696	104,696	-	104,696	-
NC218 Water Line	1,777,205	1,776,634	568	1,777,202	3
Indian Trail Water Line Relocation	691	691	-	691	-
J. Frank Moser Rd Self Help Program	27,338	27,338	-	27,338	-
Watkins Rd Pump Station	2,698,675	68,890	2,432,068	2,500,958	197,717
County Wide Phase II	338,810	218,657	22,176	240,833	97,977
County Wide Phase III	679,900	65,760	80,894	146,654	533,246
Roanoke Church Rd Self Help Program	35,125	4,920	-	4,920	30,205
Brett Dr Self Help Program	10,108	10,108	-	10,108	-
Providence Woods Self Help Program	80,725	14,417	-	14,417	66,308
Mt Pleasant Church Rd Self Help Program	65,925	15,531	-	15,531	50,394
Bulk Water Stations	150,133	-	19,148	19,148	130,985

Continued on next page.

Water and Sewer Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2006

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
EXPENDITURES (continued)					
Water capital outlay (continued)					
Madison Ridge Low Pressure Study	\$ 565,950	\$ 4,715	\$ 34,054	\$ 38,769	\$ 527,181
Secrest SC/IT Rd Water Main	3,004,640	75,343	1,139,445	1,214,788	1,789,852
Cuthbertson Road Water Line	615,450	-	-	-	615,450
Dodge City Water	251,160	-	-	-	251,160
Sewer capital outlay					
East Side Improvements	2,713,000	-	50,000	50,000	2,663,000
Expand 12 Mile Creek 6MGD	22,648,197	490,945	5,131,878	5,622,823	17,025,374
Hunley Creek Off Line	1,828,487	196,965	1,246,137	1,443,102	385,385
Crooked Creek Lab Expansion and UV	943,584	896,285	2,000	898,285	45,299
IBT Permitting	56,221	27,579	-	27,579	28,642
Rocky River WWTP-Future	6,823,809	275,048	87,641	362,689	6,461,120
Sheafer Cost Validation	24,709	24,709	-	24,709	-
Tallwood UV Improvements	91,472	91,472	-	91,472	-
Clear Creek Trunk Sewer	1,874,500	-	10,800	10,800	1,863,700
12M Creek Beneficial Re-Use	1,777,650	21,500	9,460	30,960	1,746,690
Future 12M Creek WWTP Expansion	55,000	-	-	-	55,000
Sewer Miscellaneous Projects	1,777	1,777	-	1,777	-
Little 12 Mile Creek Sewer	1,606,149	1,267,926	237,025	1,504,951	101,198
Blythe Creek Sewer	1,684,471	1,684,472	-	1,684,472	(1)
Parkwood School	419,022	419,022	-	419,022	-
West Union School	467,836	16,088	610	16,698	451,138
Marvin Branch	68,005	67,700	305	68,005	-
Crooked Creek I and I	15,000	15,000	-	15,000	-
Waxhaw Server Rehabilitation	1,180,729	1,007,456	138,332	1,145,788	34,941
Phase 1 Sewer Improvements	171,631	171,630	-	171,630	1
Crooked Creek Interceptor-Contract 4	223,345	275,844	(52,500)	223,344	1
Crooked Creek Interceptor-Contract 5	16,434	16,434	-	16,434	-
Crooked Creek Interceptor-Contract 6	76,984	76,984	-	76,984	-
Upper Price Mill	593	593	-	593	-
West Fork 12 Mile Creek	7,990	7,990	-	7,990	-
Sewer Mapping and Hydraulic Model	338,946	119,035	191,497	310,532	28,414
I and I Reduction	1,550,951	1,488,040	44,872	1,532,912	18,039
Connect Diversion Force Main	95,421	32,906	10,375	43,281	52,140
Meadows Mobile Home Park Improv.	328,316	-	500	500	327,816
Update Sewer Master Plan	176,952	22,210	138,083	160,293	16,659
Total expenditures	<u>98,413,770</u>	<u>31,608,580</u>	<u>25,869,337</u>	<u>57,477,917</u>	<u>40,935,853</u>
Revenues under expenditures	<u>(96,277,333)</u>	<u>(31,433,447)</u>	<u>(25,869,337)</u>	<u>(57,302,784)</u>	<u>38,974,549</u>
OTHER FINANCING SOURCES					
Transfers from other funds:					
General Fund	71,160	-	200,000	200,000	128,840
School Capital Bond Fund 55	467,836	-	-	-	(467,836)
Water and Sewer Capital Reserve Fund	187,656	187,656	-	187,656	-
Water and Sewer Operating Fund	39,718,168	22,218,168	17,500,000	39,718,168	-
Capital contributions - cash	2,296,389	-	2,050,000	2,050,000	(246,389)
Proceeds from bonds	53,536,124	27,420,980	-	27,420,980	(26,115,144)
Total other financing sources	<u>96,277,333</u>	<u>49,826,804</u>	<u>19,750,000</u>	<u>69,576,804</u>	<u>(26,700,529)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 18,393,357</u>	<u>(6,119,337)</u>	<u>\$ 12,274,020</u>	<u>\$ 12,274,020</u>
FUND BALANCE					
Beginning of year - July 1			<u>18,393,357</u>		
End of year - June 30			<u>\$ 12,274,020</u>		

Water and Sewer Fund
Schedule of Reconciliation of Budgetary Basis (Non-GAAP)
to Full Accrual Basis

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ (687,427)	\$ 396,699
Water and Sewer Capital Project Fund	(6,119,337)	2,368,975
Total	<u>(6,806,764)</u>	<u>2,765,674</u>
Reconciling items		
Amortization of G.O. bond and Revenue bond defeasance	(338,608)	(366,655)
Amortization of G.O. and Revenue bond issuance costs	(63,277)	(63,278)
Amortization of G.O. and Revenue bond premium	34,310	34,381
Amortization of G.O. bond gain on refunding	7,990	7,990
Amortization of Revenue bond discount	(11,220)	(11,220)
G.O. bond and Revenue bond proceeds - interest	-	8,084
G.O. bond and Revenue bond issuance costs	-	1,572
Capitalized interest	486,858	210,923
Payment of debt principal	4,534,990	4,775,673
Increase in compensated absences payable	(27,133)	(8,867)
Decrease in interest expense accrual	30,713	25,545
Increase in inventories	8,943	439,848
Increase in allowance for uncollectible accounts	(118,313)	(50,144)
Capital outlay	23,765,352	7,397,753
Loss on investment in joint venture	(153,160)	(379,580)
Loss on disposal of land	-	(341,840)
Loss on disposal of fixed assets	-	(174,863)
Capital contributions	23,695,521	13,600,879
Depreciation	(6,350,660)	(5,537,330)
Total	<u>45,502,306</u>	<u>19,568,871</u>
Change in net assets	<u>\$ 38,695,542</u>	<u>\$ 22,334,545</u>

Solid Waste Operating Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	2006		Variance Positive (Negative)	2005
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Solid waste charges	\$ 2,994,160	\$ 3,749,202	\$ 755,042	\$ 2,916,267
Disposal fees	193,480	218,447	24,967	200,383
Other operating revenues	6,050	10,124	4,074	8,463
Total	<u>3,193,690</u>	<u>3,977,773</u>	<u>784,083</u>	<u>3,125,113</u>
Nonoperating revenues				
Investment earnings	75,000	107,819	32,819	66,938
Total revenues	<u>3,268,690</u>	<u>4,085,592</u>	<u>816,902</u>	<u>3,192,051</u>
EXPENDITURES				
Administration	101,822	158,288	(56,466)	87,967
Solid waste landfill	4,071,546	3,187,439	884,107	2,779,700
Total expenditures	<u>4,173,368</u>	<u>3,345,727</u>	<u>827,641</u>	<u>2,867,667</u>
Revenues over (under) expenditures	(904,678)	739,865	1,644,543	324,384
OTHER FINANCING SOURCES				
Transfers in				
Solid Waste Capital Reserve Fund	-	-	-	250,000
Revenues and other financing sources over (under) expenditures	(904,678)	739,865	1,644,543	574,384
APPROPRIATED FUND BALANCE	<u>904,678</u>	<u>-</u>	<u>(904,678)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over expenditures	<u>\$ -</u>	<u>\$ 739,865</u>	<u>\$ 739,865</u>	<u>\$ 574,384</u>

Solid Waste Capital Reserve Fund

Schedule of Revenues -

Non-GAAP

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Investment earnings	\$ 145,987	\$ 102,705
OTHER FINANCING USES		
Transfers to other funds:		
Solid Waste Operating Fund	<u>-</u>	<u>(250,000)</u>
Revenues over (under) other financing uses	<u>\$ 145,987</u>	<u>\$ (147,295)</u>

Solid Waste Fund**Schedule of Reconciliation of Budgetary Basis (Non-GAAP)
to Full Accrual Basis**

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 739,865	\$ 574,384
Capital Reserve Fund	145,987	(147,295)
Total	<u>885,852</u>	<u>427,089</u>
Reconciling items		
Decrease in compensated absences payable	1,641	15,642
(Increase) decrease in accrued landfill postclosure care costs	274,527	(58,008)
Increase in allowance for uncollectible accounts	(34,172)	-
Capital outlay	-	1,191
Depreciation	(132,016)	(153,428)
Loss on disposal of capital asset	-	(23,677)
Total	<u>109,980</u>	<u>(218,280)</u>
Change in net assets	<u>\$ 995,832</u>	<u>\$ 208,809</u>

Stormwater Operating Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	2006			2005
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES				
Administration	\$ 201,888	\$ 115,539	\$ 86,349	\$ 101,307
OTHER FINANCING SOURCES				
Transfers in				
General Fund	127,688	123,304	(4,384)	131,307
Other financing sources over (under) expenditures	(74,200)	7,765	81,965	30,000
APPROPRIATED FUND BALANCE	74,200	-	(74,200)	-
Other financing sources and appropriated fund balance over expenditure:	\$ -	\$ 7,765	\$ 7,765	\$ 30,000
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Other financing sources over expenditures		\$ 7,765		\$ 30,000
Reconciling items:				
Increase in compensated absences payable		(5,393)		-
Capital outlay		6,314		-
Total		921		-
Change in net assets:		\$ 8,686		\$ 30,000

Internal Service Funds

The Internal Service Funds account for the financing of goods or services provided by one department to other departments of the county on a cost-reimbursement basis.

Health Benefits Fund - This fund accounts for amounts from individual departments and employees to pay health benefit costs.

Workers' Compensation Fund - This fund accounts for amounts from individual departments to pay workers' compensation claims.

Property and Casualty Fund - This fund accounts for amounts from individual departments to pay property and casualty claims and premiums.



Health Benefits Fund
Schedule of Revenues and Expenditures
(Non-GAAP)

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Operating revenues		
Interfund charges and employee contributions	\$ 6,403,047	\$ 5,637,592
Nonoperating revenues		
Investment earnings	22,883	14,474
Total revenues	<u>6,425,930</u>	<u>5,652,066</u>
EXPENDITURES		
Operating expenditures		
Health benefit claims and premiums	5,693,948	4,567,729
Other operating expenditures	654,213	628,126
Total expenditures	<u>6,348,161</u>	<u>5,195,855</u>
Revenues over expenditures	<u>\$ 77,769</u>	<u>\$ 456,211</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis		
Revenues over expenditures	\$ 77,769	\$ 456,211
Reconciling items:		
Increase in health benefit claims payable	<u>(165,700)</u>	<u>(128,700)</u>
Change in net assets	<u>\$ (87,931)</u>	<u>\$ 327,511</u>

Workers' Compensation Fund
Schedule of Revenues and Expenditures
(Non-GAAP)

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Nonoperating revenues		
Investment earnings	\$ 64,736	\$ 51,014
EXPENDITURES		
Operating expenditures		
Workers' compensation claims	201,063	217,449
Other operating expenditures	84,587	102,978
Total expenditures	<u>285,650</u>	<u>320,427</u>
Revenues under expenditure:	<u>\$ (220,914)</u>	<u>\$ (269,413)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis		
Revenues under expenditures	\$ (220,914)	\$ (269,413)
Reconciling items:		
(Increase) decrease in workers' compensation claims payable	<u>(88,054)</u>	<u>31,607</u>
Change in net assets	<u>\$ (308,968)</u>	<u>\$ (237,806)</u>

Property and Casualty Fund
Schedule of Revenues and Expenditures
(Non-GAAP)

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Operating revenues		
Interfund charges	\$ 744,603	\$ 702,350
Nonoperating revenues		
Investment earnings	6,538	2,843
Total revenues	<u>751,141</u>	<u>705,193</u>
EXPENDITURES		
Operating expenditures		
Property and casualty claims and premiums	<u>605,877</u>	<u>669,288</u>
Revenues over expenditure	<u>\$ 145,264</u>	<u>\$ 35,905</u>



Fiduciary Funds

Trust Funds account for assets held by the county in a trustee capacity. Agency Funds account for assets held by the county as an agent for individuals or other governments.

Pension Trust Fund

Special Separation Allowance Fund - This fund accounts for the accumulation of resources for the payment of special separation benefits to qualified county employees.

Agency Funds

Social Services Fund - This fund accounts for monies held by the Department of Social Services for the benefit of certain individuals.

Fines and Forfeitures Fund - This fund accounts for fines and forfeitures collected by the county that are required to be remitted to the Union County Public Schools Board of Education.

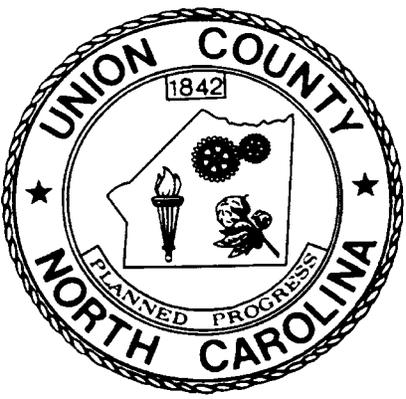
Jail Inmate Fund - This fund accounts for monies held by the Union County Sheriff's Office (Jail) for the benefit of certain individuals.

Monroe and Union County School District Funds - These funds account for the proceeds of the special tax levies that are collected by the county on behalf of these school districts.

Municipal Tax Collection Fund - This fund accounts for the proceeds of taxes that are collected by the county on behalf of the municipalities within the county.

Gross Rental Receipts Tax Fund - This fund accounts for the proceeds of municipalities that levy a local tax on gross receipts derived from the short-term lease or rental of vehicles at retail to the general public, which are collected by the county on behalf of the municipalities within the county.

Department of State Treasury Motor Vehicle Tax Fund - This fund accounts for interest collected on unpaid registration fees pursuant to G.S. 105-330.4, transferred on a monthly basis to the North Carolina Highway Fund for technology improvements within the Division of Motor Vehicles.



Special Separation Allowance Fund
Schedule of Revenues, Expenses and Changes in
Fiduciary Net Assets - Pension Trust Fund

For the Year Ended June 30, 2006

With Comparative Actual Amounts for the Year Ended June 30, 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Operating revenues		
Employer contributions	\$ 707,756	\$ 430,743
Investment earnings	<u>41,639</u>	<u>29,296</u>
Total revenues	<u>749,395</u>	<u>460,039</u>
EXPENSES		
Operating expenses		
Employee benefits	<u>675,974</u>	<u>525,833</u>
Revenues over (under) expenses	73,421	(65,794)
NET ASSETS		
Beginning of year-July 1	<u>1,257,925</u>	<u>1,323,719</u>
End of year-June 30	<u><u>\$ 1,331,346</u></u>	<u><u>\$ 1,257,925</u></u>

Agency Funds**Combining Statement of Changes in Assets and Liabilities**

For the Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
SOCIAL SERVICES				
ASSETS				
Cash and investments	\$ 48,559	\$ 240,656	\$ 234,177	\$ 55,038
LIABILITIES				
Due to program participants	\$ 48,559	\$ 240,656	\$ 234,177	\$ 55,038
FINES AND FORFEITURES				
ASSETS				
Cash and investments	\$ 96,719	\$ 1,283,745	\$ 1,284,742	\$ 95,722
Accounts receivable (net)	107,762	103,151	107,762	103,151
Total assets	\$ 204,481	\$ 1,386,896	\$ 1,392,504	\$ 198,873
LIABILITIES				
Accounts payable and accrued liabilities	\$ 204,481	\$ 1,387,093	\$ 1,392,701	\$ 198,873
JAIL INMATE FUND				
ASSETS				
Cash and investments	\$ 29,366	\$ 329,111	\$ 336,895	\$ 21,582
LIABILITIES				
Due to program participants	\$ 29,366	\$ 329,111	\$ 336,895	\$ 21,582
MONROE SCHOOL DISTRICT				
ASSETS				
Cash and investments	\$ 23,976	\$ 1,346,107	\$ 1,358,755	\$ 11,328
Property taxes receivable (net)	52,801	1,084,543	1,087,237	50,107
Accounts receivable (net)	104,639	106,976	104,639	106,976
Total assets	\$ 181,416	\$ 2,537,626	\$ 2,550,631	\$ 168,411
LIABILITIES				
Accounts payable and accrued liabilities	\$ 181,416	\$ 2,706,481	\$ 2,719,486	\$ 168,411
UNION COUNTY SCHOOL DISTRICT				
ASSETS				
Cash and investments	\$ 153,856	\$ 11,216,360	\$ 11,261,555	\$ 108,661
Property taxes receivable (net)	249,521	9,188,688	9,178,611	259,598
Accounts receivable (net)	786,819	879,487	786,818	879,488
Total assets	\$ 1,190,196	\$ 21,284,535	\$ 21,226,984	\$ 1,247,747
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,190,196	\$ 22,664,230	\$ 22,606,679	\$ 1,247,747
MUNICIPAL TAX COLLECTION				
ASSETS				
Cash and investments	\$ 205,300	\$ 1,856,232	\$ 1,871,008	\$ 190,524
LIABILITIES				
Accounts payable and accrued liabilities	\$ 205,300	\$ 1,856,232	\$ 1,871,008	\$ 190,524

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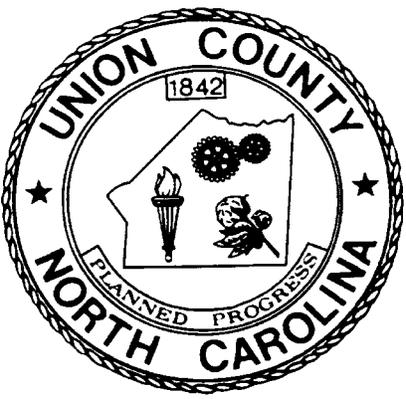
Agency Funds

(continued)

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
GROSS RENTAL RECEIPTS TAX FUND				
ASSETS				
Cash and investments	\$ 677	\$ 69,405	\$ 69,171	\$ 911
LIABILITIES				
Accounts payable and accrued liabilities	\$ 677	\$ 83,212	\$ 82,978	\$ 911
DEPT. OF STATE TREASURER MOTOR VEHICLE TAX				
ASSETS				
Cash and investments	\$ -	\$ 19,998	\$ 14,739	\$ 5,259
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 19,998	\$ 14,739	\$ 5,259
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 558,453	\$ 16,361,614	\$ 16,431,042	\$ 489,025
Property taxes receivable (net)	302,322	10,273,231	10,265,848	309,705
Accounts receivable (net)	999,220	1,089,614	999,219	1,089,615
Total assets	\$ 1,859,995	\$ 27,724,459	\$ 27,696,109	\$ 1,888,345
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,782,070	\$ 28,717,246	\$ 28,687,591	\$ 1,811,725
Due to program participants	77,925	569,767	571,072	76,620
Total liabilities	\$ 1,859,995	\$ 29,287,013	\$ 29,258,663	\$ 1,888,345



Additional Financial Data

This section contains additional information on property taxes.

Schedule of Ad Valorem Taxes Receivable - General Fund

Analysis of Current Tax Levy - County-wide Levy

Schedule of Ad Valorem Taxes Receivable - General Fund

June 30, 2006

Fiscal Year	Uncollected Balance June 30, 2005	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2006
2006-2007	\$ -	\$ 22,315	\$ 853	\$ 21,462
2005-2006	64,368	81,885,666	80,035,351	1,914,683
2004-2005	1,650,255	77,630	1,295,821	432,064
2003-2004	405,878	31,187	191,646	245,419
2002-2003	223,169	39,534	143,032	119,671
2001-2002	154,521	2,630	87,097	70,054
2000-2001	56,196	(65)	13,585	42,546
1999-2000	46,644	-	8,996	37,648
1998-1999	30,615	-	4,542	26,073
1997-1998	19,097	-	2,665	16,432
1996-1997	14,214	-	1,713	12,501
1995-1996	14,614	-	14,614	-
	<u>\$ 2,679,571</u>	<u>\$ 82,058,897</u>	<u>\$ 81,799,915</u>	<u>2,938,553</u>
Less: Releases on 2006-2007 registered motor vehicles				(4,506)
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(574,554)</u>
				<u>\$ 2,359,493</u>
Reconciliation with revenues				
				<u>\$ 82,560,139</u>
Reconciling items				
				-
				13,500
				115,318
				5,010
				74,603
				205,652
				(807,512)
				(480,066)
				3,294
				(26,992)
				136,969
				<u>(760,224)</u>
				<u>\$ 81,799,915</u>

**Analysis of Current Tax Levy
County-wide Levy**

For the Year Ended June 30, 2006

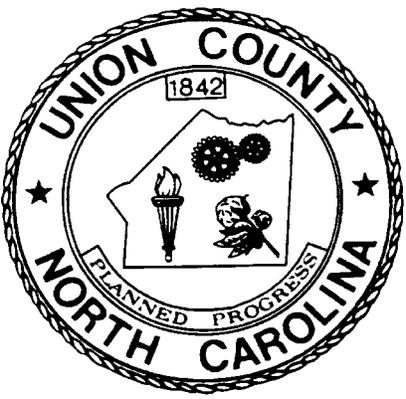
	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy					
Property taxed at current year's rate	14,141,393,259	.56	\$79,234,489	\$73,574,088	\$ 5,660,401
Motor vehicles taxed at prior year's rate	497,764,122	.525	2,562,407	-	2,562,407
Motor vehicles taxed at prior year's rate	481,295	.53	2,560	-	2,560
Motor vehicles taxed at prior year's rate	39,070	.4705	184	-	184
Motor vehicles taxed at prior year's rate	3,040	.66	20	-	20
Total	<u>14,639,680,786</u>		<u>81,799,660</u>	<u>73,574,088</u>	<u>8,225,572</u>
Discoveries					
Property taxed at current year's rate	82,522,529	.56	416,483	416,483	-
Abatements					
Property taxed at current year's rate	76,843,775	.56	405,638	308,534	97,104
Motor vehicles taxed at prior year's rate	9,301,332	.525	70,273	-	70,273
Motor vehicles taxed at prior year's rate	115,123	.53	649	-	649
Total	<u>86,260,230</u>		<u>476,560</u>	<u>308,534</u>	<u>168,026</u>
Total property valuation	<u>14,635,943,085</u>				
Net levy			81,739,583	73,682,037	8,057,546
Add: Refunds			44,511	44,511	-
Add: Write-off's of small amounts			268	-	268
Add: Late Listing Penalties recoded to Fines & Forfeitures			101,304	101,304	-
Total additions and adjustments for 2005-2006			81,885,666	73,827,852	8,057,814
Add: Uncollected taxes at June 30, 2005			64,368	5,596	58,772
Less: Uncollected taxes at June 30, 2006			(1,914,683)	(1,143,428)	(771,255)
Total collections and credits for 2005-2006			<u>\$80,035,351</u>	<u>\$72,690,020</u>	<u>\$ 7,345,331</u>
Percent current year collected			97.74%	98.46%	91.16%

SECONDARY MARKET DISCLOSURES

	County-wide		
	Property Valuation	Rate	Amount of Levy
Assessed valuation			
Assessment ratio	100%		
Real property	12,005,618,136		
Personal property	905,633,136		
Public service companies	254,760,555		
	<u>13,166,011,827</u>	.56	<u>\$73,682,037</u>
Personal property-motor vehicles	981,060,186	.56	5,563,298
Personal property-motor vehicles	488,462,790	.525	2,492,133
Personal property-motor vehicles	366,172	.53	1,911
Personal property-motor vehicles	39,070	.4705	184
Personal property-motor vehicles	3,040	.66	20
	<u>1,469,931,258</u>		<u>8,057,546</u>
Total	<u>14,635,943,085</u>		<u>\$81,739,583</u>

In addition to the county-wide rate, the following table lists the levies by the county on behalf of school districts and fire protection districts for the fiscal year ended June 30, 2006:

School districts	\$10,238,456
Fire protection districts	1,569,473
Total	<u>\$11,807,929</u>



Statistical Section

The information presented in this section is provided for additional analysis purposes only and has not been subjected to audit verification as presented.

Financial Trends - These tables contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Net Assets by Component	Table 1
Changes in Net Assets	Table 2
Fund Balances of Governmental Funds	Table 3
Changes in Fund Balances of Governmental Funds	Table 4

Revenue Capacity - These tables contain information to help the reader assess the government's most significant local revenue source, the property tax.

Assessed Value of Taxable Property	Table 5
Estimated Actual Value of Taxable Property	Table 6
Property Tax Rates - Direct and Overlapping Governments	Table 7
Construction Information	Table 8
Principal Property Taxpayers	Table 9
Property Tax Levies and Collections	Table 10

Debt Capacity - These tables present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Ratios of Outstanding Debt by Type	Table 11
Legal Debt Margin Information	Table 12
Pledged Revenue Coverage per Revenue Bond Indenture - Water and Sewer Bonds	Table 13
Pledged Revenue Coverage - Water and Sewer Bonds	Table 14

Demographic and Economic Information - These tables offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Demographic and Economic Statistics	Table 15
Principal Employers	Table 16

Operating Information - These tables contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Full-time Equivalent Governmental Employees by Function/Program	Table 17
Operating Indicators by Function/Program	Table 18
Capital Asset Statistics by Function/Program	Table 19

Union County, North Carolina
Net Assets by Component
 Last Five Fiscal Years
 (accrual basis of accounting)

Table 1

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities:					
Invested in capital assets, net of related debt	\$ 32,457,899	\$ 31,763,862	\$ 34,098,609	\$ 31,209,271	\$ 36,249,701
Restricted	3,915,730	33,500,043	7,659,736	55,565,377	9,948,350
Unrestricted	(31,150,415)	(79,263,380)	(86,021,934)	(184,091,155)	(177,888,141)
Total governmental activities net assets	\$ 5,223,214	\$ (13,999,475)	\$ (44,263,589)	\$ (97,316,507)	\$ (131,690,090)
Business-type activities:					
Invested in capital assets, net of related debt	\$ 43,593,411	\$ 51,981,910	\$ 68,120,172	\$ 82,495,496	\$ 128,539,817
Restricted	143,400	2,882,255	2,882,435	2,836,676	2,767,983
Unrestricted	38,201,362	47,069,467	50,157,942	58,410,989	52,098,871
Total business-type activities net assets	\$ 81,938,173	\$ 101,933,632	\$ 121,160,549	\$ 143,743,161	\$ 183,406,671
Primary government:					
Invested in capital assets, net of related debt	\$ 76,051,310	\$ 83,745,772	\$ 102,218,781	\$ 113,704,767	\$ 164,789,518
Restricted	4,059,130	36,382,298	10,542,171	58,402,053	12,716,333
Unrestricted	7,050,947	(32,193,913)	(35,863,992)	(125,680,166)	(125,789,270)
Total primary government net assets	\$ 87,161,387	\$ 87,934,157	\$ 76,896,960	\$ 46,426,654	\$ 51,716,581

Union County, North Carolina
Changes in Net Assets
 Last Five Fiscal Years
 (accrual basis of accounting)

Table 2

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental activities:					
General government	\$ 10,399,708	\$ 10,560,289	\$ 11,459,194	\$ 12,168,603	\$ 13,575,128
Public safety	19,458,701	21,273,554	24,044,141	26,502,956	28,007,624
Economic and physical development	1,084,390	1,168,550	1,230,445	1,077,860	1,329,057
Human services	27,244,747	27,692,374	29,193,590	31,101,517	33,834,557
Cultural and recreational	2,631,521	4,892,846	5,236,775	5,221,262	6,086,733
Education	44,726,510	46,645,607	68,849,627	103,593,493	101,687,523
Interest and fees on long term debt	7,563,464	6,509,457	7,068,573	9,673,057	9,566,434
Total governmental activities' expenses	<u>113,109,041</u>	<u>118,742,677</u>	<u>147,082,345</u>	<u>189,338,748</u>	<u>194,087,056</u>
Business-type activities:					
Water and sewer	14,828,450	14,765,162	16,964,489	19,402,159	23,455,824
Solid waste	3,073,860	3,150,037	2,669,162	3,060,595	3,239,497
Stormwater	-	-	65,485	101,610	115,546
Total business-type activities' expenses	<u>17,902,310</u>	<u>17,915,199</u>	<u>19,699,136</u>	<u>22,564,364</u>	<u>26,810,867</u>
Total primary government expenses	<u>\$ 131,011,351</u>	<u>\$ 136,657,876</u>	<u>\$ 166,781,481</u>	<u>\$ 211,903,112</u>	<u>\$ 220,897,923</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Public safety	\$ 4,164,370	\$ 5,122,180	\$ 7,235,368	\$ 8,840,025	\$ 9,937,362
Human services	4,540,223	4,198,542	4,726,273	4,884,808	5,810,110
Other activities	1,822,688	2,351,997	2,189,719	2,139,956	2,500,518
Operating grants and contributions:					
Human services	12,734,040	12,643,288	13,166,262	14,484,307	14,919,404
Other activities	2,911,821	2,104,446	3,214,474	4,048,821	5,004,142
Capital grants and contributions	514,540	898,117	513,875	156,953	246,468
Total governmental activities' program revenues	<u>26,687,682</u>	<u>27,318,570</u>	<u>31,045,971</u>	<u>34,554,870</u>	<u>38,418,004</u>
Business-type activities:					
Charges for services:					
Water and sewer	16,935,211	13,805,194	15,710,423	17,731,789	22,588,615
Solid waste	2,514,238	2,557,151	2,624,962	2,924,730	3,759,326
Operating grants and contributions	163,467	182,406	298,135	200,383	218,447
Capital grants and contributions:					
Water and sewer	42,000	13,547,273	19,350,880	22,965,192	37,738,174
Total business-type activities' program revenues	<u>19,654,916</u>	<u>30,092,024</u>	<u>37,984,400</u>	<u>43,822,094</u>	<u>64,304,562</u>
Total primary government program revenues	<u>\$ 46,342,598</u>	<u>\$ 57,410,594</u>	<u>\$ 69,030,371</u>	<u>\$ 78,376,964</u>	<u>\$ 102,722,566</u>
Net (expense) / revenue					
Governmental activities	\$ (86,421,359)	\$ (91,424,107)	\$ (116,036,374)	\$ (154,783,878)	\$ (155,669,052)
Business-type activities	1,752,606	12,176,825	18,285,264	21,257,730	37,493,695
Total primary government net expense	<u>\$ (84,668,753)</u>	<u>\$ (79,247,282)</u>	<u>\$ (97,751,110)</u>	<u>\$ (133,526,148)</u>	<u>\$ (118,175,357)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes levied for general purposes	\$ 46,522,266	\$ 49,606,797	\$ 59,050,897	\$ 73,145,208	\$ 84,444,843
Local option sales tax	16,547,946	18,384,358	22,112,952	25,331,315	29,128,130
Other taxes and licenses	2,144,281	2,248,330	2,742,045	3,249,325	3,848,241
Unrestricted grants and contributions	1,691,404	60,838	63,719	57,091	56,129
Unrestricted investment earnings	2,921,632	1,709,041	749,085	2,539,072	4,020,584
Unrestricted miscellaneous	202,274	37,492	42,687	31,929	17,661
Transfers	46,066	-	(108,406)	(131,307)	(323,304)
Gain / (loss) on sale of capital assets	(3,176)	154,562	(68,993)	(2,491,673)	103,185
Total governmental activities	<u>70,072,693</u>	<u>72,201,418</u>	<u>84,583,986</u>	<u>101,730,960</u>	<u>121,295,469</u>
Business-type activities:					
Unrestricted investment earnings	1,007,018	690,069	469,966	1,332,311	1,778,463
Transfers	(46,066)	-	108,406	131,307	323,304
Gain / (loss) on sale of capital assets	123,244	51,425	(24,393)	(138,738)	68,048
Special item	(860,220)	7,077,140	-	-	-
Total business-type activities	<u>223,976</u>	<u>7,818,634</u>	<u>553,979</u>	<u>1,324,880</u>	<u>2,169,815</u>
Total primary government	<u>\$ 70,296,669</u>	<u>\$ 80,020,052</u>	<u>\$ 85,137,965</u>	<u>\$ 103,055,840</u>	<u>\$ 123,465,284</u>
Change in Net Assets					
Governmental activities	\$ (16,348,666)	\$ (19,222,689)	\$ (31,452,388)	\$ (53,052,918)	\$ (34,373,583)
Business-type activities	1,976,582	19,995,459	18,839,243	22,582,610	39,663,510
Total primary government	<u>\$ (14,372,084)</u>	<u>\$ 772,770</u>	<u>\$ (12,613,145)</u>	<u>\$ (30,470,308)</u>	<u>\$ 5,289,927</u>

Union County, North Carolina
Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year				
	1997	1998	1999	2000	2001
General Fund					
Reserved	\$ 7,768,540	\$ 8,890,080	\$ 9,067,795	\$ 9,441,722	\$ 7,808,627
Unreserved	33,920,743	37,149,077	43,491,394	55,980,706	62,729,237
Total general fund	<u>41,689,283</u>	<u>46,039,157</u>	<u>52,559,189</u>	<u>65,422,428</u>	<u>70,537,864</u>
All Other Governmental Funds					
Reserved	3,993,178	1,284,532	899,611	1,214,830	2,226,895
Unreserved, reported in:					
Special revenue funds	2,158,831	2,123,374	2,339,376	2,345,217	2,626,441
Debt service funds	-	-	-	-	-
Capital project funds	8,069,237	3,103,351	1,793,964	20,019,150	51,799,377
Total all other governmental funds	<u>\$ 14,221,246</u>	<u>\$ 6,511,257</u>	<u>\$ 5,032,951</u>	<u>\$ 23,579,197</u>	<u>\$ 56,652,713</u>

Union County, North Carolina
Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year				
	1997	1998	1999	2000	2001
Revenues					
Ad valorem taxes	\$ 33,681,269	\$ 36,545,731	\$ 39,386,838	\$ 42,848,647	\$ 43,651,066
Local option sales tax	12,991,884	13,954,380	15,359,160	16,393,522	16,800,460
Other taxes and licenses	588,160	667,763	942,292	1,073,380	1,927,506
Intergovernmental revenue	12,152,556	14,528,642	20,859,914	31,682,934	21,212,407
Permits and fees	2,650,148	2,856,070	3,393,996	3,717,036	4,260,379
Sales and services	2,959,516	3,139,469	3,031,042	3,248,002	3,037,064
Investment earnings	3,173,377	3,119,136	2,806,967	4,964,333	5,845,638
Miscellaneous	1,692,241	1,543,686	1,920,352	5,999,661	2,266,954
Total revenues	<u>69,889,151</u>	<u>76,354,877</u>	<u>87,700,561</u>	<u>109,927,515</u>	<u>99,001,474</u>
Expenditures					
General government	6,039,113	9,325,210	9,344,287	9,012,861	9,614,156
Public safety	14,122,624	14,884,010	15,665,088	16,631,015	17,600,958
Economic and physical development	746,690	966,213	1,077,371	861,398	984,075
Human services	17,270,295	18,904,436	20,069,465	22,819,880	25,355,378
Cultural and recreational	2,266,199	2,224,535	2,403,585	2,728,187	3,672,141
Education	13,945,999	15,792,197	23,259,821	35,226,789	27,126,251
Capital outlay	16,338,434	7,841,824	2,277,216	12,152,669	22,317,754
Debt service:					
Principal	3,887,746	4,917,987	4,904,691	5,000,462	6,271,311
Interest and fees	3,610,213	3,939,184	3,663,525	4,173,640	4,570,498
Total expenditures	<u>78,227,313</u>	<u>78,795,596</u>	<u>82,665,049</u>	<u>108,606,901</u>	<u>117,512,522</u>
Excess of revenues over (under) expenditures	<u>(8,338,162)</u>	<u>(2,440,719)</u>	<u>5,035,512</u>	<u>1,320,614</u>	<u>(18,511,048)</u>
Other financing sources (uses)					
Transfers from other funds	514,029	1,002,512	2,394,614	2,608,051	5,109,412
Transfers to other funds	(1,493,370)	(1,921,908)	(2,388,400)	(2,619,051)	(5,109,412)
Proceeds from borrowing	17,810,000	-	-	30,050,000	56,700,000
Proceeds from refunding	11,313,692	-	-	14,730,776	-
Payments to escrow agent	(11,313,692)	-	-	(14,680,905)	-
Total other financing sources (uses)	<u>16,830,659</u>	<u>(919,396)</u>	<u>6,214</u>	<u>30,088,871</u>	<u>56,700,000</u>
Net change in fund balances	<u>\$ 8,492,497</u>	<u>\$ (3,360,115)</u>	<u>\$ 5,041,726</u>	<u>\$ 31,409,485</u>	<u>\$ 38,188,952</u>
Debt service as a percentage of non-capital expenditures	9.4%	11.0%	10.1%	8.2%	8.8%

Table 3

		Fiscal Year							
		2002	2003	2004	2005	2006			
\$	8,246,337	\$	20,393,554	\$	10,674,614	\$	10,485,321	\$	13,092,816
	54,689,383		41,614,180		49,687,704		53,912,165		36,515,103
	<u>62,935,720</u>		<u>62,007,734</u>		<u>60,362,318</u>		<u>64,397,486</u>		<u>49,607,919</u>
	1,133,182		913,885		6,018,831		3,259,684		3,384,994
	1,866,861		2,091,086		1,494,329		1,890,668		2,595,842
	-		-		916,430		9,252,954		15,128,687
	30,873,437		42,034,198		(9,657,426)		52,857,335		5,520,867
\$	<u>33,873,480</u>	\$	<u>45,039,169</u>	\$	<u>(1,227,836)</u>	\$	<u>67,260,641</u>	\$	<u>26,630,390</u>

Table 4

		Fiscal Year							
		2002	2003	2004	2005	2006			
\$	46,033,769	\$	49,734,498	\$	58,785,139	\$	72,807,526	\$	84,128,412
	16,547,946		19,572,632		22,112,952		25,331,315		29,128,130
	2,291,166		2,418,782		2,929,526		3,457,706		4,111,779
	17,609,757		15,375,801		16,668,984		18,301,998		19,723,222
	4,893,937		6,340,538		8,453,285		9,905,175		11,013,811
	3,439,979		3,348,469		3,434,662		3,561,745		4,237,737
	2,821,169		1,640,142		726,855		2,470,740		3,926,427
	2,490,802		2,398,688		4,303,984		2,794,796		3,372,811
	<u>96,128,525</u>		<u>100,829,550</u>		<u>117,415,387</u>		<u>138,631,001</u>		<u>159,642,329</u>
	10,471,020		10,332,088		11,249,830		12,205,567		12,724,574
	20,625,497		20,219,360		23,850,472		27,029,852		27,910,690
	1,066,406		1,136,928		1,183,641		1,073,782		1,208,568
	27,139,488		27,374,397		28,845,735		31,293,129		33,773,032
	4,654,097		4,152,424		5,137,412		4,870,027		5,130,410
	23,288,195		21,196,766		24,963,887		26,440,438		32,142,098
	24,989,114		29,383,066		54,325,563		85,714,886		78,097,953
	7,430,864		7,390,004		8,497,421		8,727,796		13,730,879
	6,891,287		7,454,552		7,627,856		8,620,572		10,020,639
	<u>126,555,968</u>		<u>128,639,585</u>		<u>165,681,817</u>		<u>205,976,049</u>		<u>214,738,843</u>
	<u>(30,427,443)</u>		<u>(27,810,035)</u>		<u>(48,266,430)</u>		<u>(67,345,048)</u>		<u>(55,096,514)</u>
	7,099,793		4,351,341		7,551,549		15,202,837		37,082,574
	(7,053,727)		(4,351,341)		(7,659,955)		(15,334,144)		(37,405,878)
	-		38,584,310		306,170		140,000,000		-
	-		7,116,113		15,294,474		21,630,000		-
	-		(7,652,685)		(15,138,229)		(21,630,000)		-
	<u>46,066</u>		<u>38,047,738</u>		<u>354,009</u>		<u>139,868,693</u>		<u>(323,304)</u>
\$	<u>(30,381,377)</u>	\$	<u>10,237,703</u>	\$	<u>(47,912,421)</u>	\$	<u>72,523,645</u>	\$	<u>(55,419,818)</u>
	10.7%		11.2%		9.3%		7.8%		9.4%

Union County, North Carolina
Assessed Value of Taxable Property
 Last Ten Fiscal Years
 (in thousands of dollars)

Table 5

Fiscal Year Ended June 30	Tax Year	Real Property		Personal Property	Public Service Company Property	Total Taxable Assessed Value	Total Direct Tax Rate	
		Commercial	Residential					
1997	1996	\$ 907,807	\$ 2,836,382	\$ 1,085,310	\$ 135,581	\$ 4,965,080	.66	
				Personal Property				
				Motor Vehicles				
					Other			
1998	1997	755,288	3,202,632	777,995	562,003	147,607	5,445,525	.66
1999	1998	781,107	3,451,141	839,361	607,073	158,602	5,837,284	.66
2000	1999	821,965	3,713,032	947,023	674,459	151,551	6,308,030	.66
2001	2000	1,315,083	5,584,343	1,011,321	742,553	209,913	8,863,213	.4705
2002	2001	1,240,174	6,181,767	1,029,160	808,812	217,774	9,477,687	.4705
2003	2002	1,273,609	6,716,740	1,084,822	872,219	222,478	10,169,868	.4705
2004	2003	1,322,250	7,241,313	1,130,588	843,687	232,942	10,770,780	.53
2005	2004	1,625,571	9,467,521	1,210,622	855,271	244,639	13,403,624	.525
2006	2005	1,620,411	10,385,207	1,469,931	905,633	254,761	14,635,943	.56

Note: Assessed valuations are established by the Board of County Commissioners at 100% of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. The Board of County Commissioners may accelerate the frequency of revaluations. Prior revaluations were completed for tax years 2000 and 2004.

Union County, North Carolina
Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (in thousands of dollars)

Table 6

Fiscal Year Ended June 30	Tax Year	Sales Assessment Ratio	Real Property	Personal Property	Public Service Company Property	Total Estimated Value	
1997	1996	82.17%	\$ 4,556,637	\$ 1,085,310	\$ 135,581	\$ 5,777,528	
				Personal Property			
				Motor Vehicles			
					Other		
1998	1997	77.12%	5,132,158	777,995	562,003	147,607	6,619,763
1999	1998	74.62%	5,671,734	839,361	607,073	158,602	7,276,770
2000	1999	69.50%	6,525,176	947,023	674,459	151,551	8,298,209
2001	2000	98.14%	7,030,187	1,011,321	742,553	209,913	8,993,974
2002	2001	93.92%	7,902,407	1,029,160	808,812	217,774	9,958,153
2003	2002	94.25%	8,477,824	1,084,822	872,219	222,478	10,657,343
2004	2003	88.73%	9,651,260	1,130,588	843,687	232,942	11,858,477
2005	2004	97.53%	11,374,031	1,210,622	855,271	244,639	13,684,563
2006	2005	93.12%	12,892,631	1,469,931	905,633	254,761	15,522,956

Union County, North Carolina
Property Tax Rates - Direct and Overlapping Governments
(Per \$100 of Assessed Value)
 Last Ten Fiscal Years

Table 7

Fiscal Year Ended June 30	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Tax Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Taxes Levied by Union County										
County-wide rate	.66	.66	.66	.66	.4705	.4705	.4705	.53	.525	.56
ental										
School										
Monroe Schools District	.07	.07	.07	.07	.059	.07	.07	.07	.07	.07
County Schools District	.07	.07	.07	.07	.059	.07	.07	.07	.07	.07
Supplemental Fire Districts										
Hemby VFD	.0211	.0211	.0363	.0346	.0211	.0276	.0376	.036	.0427	.0404
Wesley VFD	-	-	-	-	-	-	-	.017	.014	.015
Stallings VFD	.0208	.0208	.0332	.024	.0063	.0277	.0342	.0392	.0492	.039
Total County Rates										
Maximum	.7511	.7511	.7663	.7646	.5506	.5682	.5781	.6392	.6442	.6704
Minimum	.73	.73	.73	.73	.5295	.5405	.5405	.6	.595	.63
Average	.7406	.7406	.7482	.7473	.5401	.5544	.5593	.6196	.6196	.6502
Overlapping Taxes Levied by Municipalities										
City of Monroe	.5	.5	.55	.55	.5	.5	.5	.5	.48	.49
Downtown Monroe District	-	-	.2	.2	.2	.2	.2	.2	.2	.2
Town of Hemby Bridge	-	-	-	.02	.02	.02	.05	.05	.03	.03
Town of Marshville	.43	.43	.43	.43	.38	.38	.38	.38	.38	.38
Town of Mineral Sprints	-	-	-	.04	.03	.03	.03	.03	.03	.027
Town of Mint Hill	-	-	-	-	-	-	-	.275	.275	.275
Town of Wingate	.38	.38	.38	.38	.32	.32	.4	.36	.36	.36
Town of Weddington	.02	.02	.02	.02	.02	.02	.05	.04	.04	.03
Town of Waxhaw	.47	.47	.47	.47	.37	.37	.37	.37	.34	.34
Village of Wesley Chapel	-	-	-	.02	.02	.02	.02	.02	.02	.02
Town of Stallings	.09	.09	.11	.12	.1	.1	.14	.16	.25	.25
Town of Fairview	-	-	-	-	-	-	.02	.02	.02	.02
Town of Indian Trail	.1	.1	.1	.1	.08	.08	.08	.08	.08	.08
Town of Unionville	-	-	-	.02	.02	.02	.02	.02	.02	.02
Village of Marvin	.025	.025	.025	.025	.025	.025	.0517	.0517	.052	.0517
Village of Lake Park	.15	.12	.12	.12	.09	.18	.18	.22	.22	.22

Union County, North Carolina
Construction Information
 Last Ten Fiscal Years
 (in thousands of dollars)

Table 8

Fiscal Year Ended June 30	Commercial Construction		Residential Construction	
	Number of Units	Value	Number of Units	Value
1997	407	\$ 71,083	2,525	\$ 178,539
1998	504	70,869	2,477	181,143
1999	526	94,838	3,175	237,888
2000	641	68,244	2,686	280,762
2001	680	95,126	2,997	340,316
2002	480	53,717	2,923	304,456
2003	295	67,040	3,643	398,151
2004	312	130,596	4,060	517,127
2005	498	146,370	4,678	687,386
2006	573	184,705	5,247	837,557

Union County, North Carolina
Principal Property Taxpayers
 Current Year and Nine Years Ago

Table 9

Taxpayer	Type of Business	June 30, 2006			June 30, 1997		
		2005 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	1996 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Charlotte Pipe & Foundry Company	Plastics	\$ 115,396,360	1	.79%	\$ 43,333,530	2	.87%
Union Electric Membership Corporation	Utility	68,860,568	2	.47%	22,420,323	9	.45%
Duke Power Company	Utility	50,674,603	3	.35%	37,228,297	3	.75%
Teledyne/ALLVAC	Metals	42,412,673	4	.29%	49,842,643	1	1.00%
Piedmont Natural Gas	Gas	42,190,443	5	.29%			
Centex Homes	Home Builder	35,641,556	6	.24%			
Verizon	Utility	35,538,812	7	.24%			
Alltel Carolina	Utility	33,695,148	8	.23%	23,594,205	8	.48%
Tyson Farms/Holly Farms	Poultry	31,943,657	9	.22%	21,552,194	10	.43%
Parkdale America	Yarn Manufacturer	29,187,082	10	.20%	36,982,713	4	.74%
General Telephone Co.	Utility				28,506,249	5	.57%
Wampler-Longacre	Poultry				27,544,188	6	.55%
AEP Industries, Inc.	Plastics				24,832,376	7	.50%
Total assessed valuation of top 10 taxpayers		<u>\$ 485,540,902</u>		<u>3.32%</u>	<u>\$ 315,836,718</u>		<u>6.36%</u>
Total county-wide assessed valuation		<u>\$ 14,635,943,085</u>			<u>\$ 4,965,080,334</u>		

Union County, North Carolina
Property Tax Levies and Collections
 Last Ten Fiscal Years

Table 10

Fiscal Year Ended June 30	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percent of Levy		Amount	Percent of Levy
1997	1996	\$ 32,923,325	\$ 32,056,246	97.4%	\$ 930,442	\$ 32,986,688	100.2%
1998	1997	36,028,912	34,891,014	96.8%	1,170,515	36,061,529	100.1%
1999	1998	38,569,657	37,364,952	96.9%	1,239,239	38,604,191	100.1%
2000	1999	41,740,503	40,520,889	97.1%	1,246,614	41,767,503	100.1%
2001	2000	42,886,346	41,573,994	96.9%	1,321,940	42,895,934	100.0%
2002	2001	45,128,514	43,614,686	96.6%	1,498,155	45,112,841	100.0%
2003	2002	48,246,478	46,932,728	97.3%	1,249,541	48,182,269	99.9%
2004	2003	57,165,954	55,711,807	97.5%	1,262,935	56,974,742	99.7%
2005	2004	70,626,485	68,927,427	97.6%	1,308,380	70,235,807	99.4%
2006	2005	81,897,736	80,035,351	97.7%	-	80,035,351	97.7%

Union County, North Carolina
Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Table 11

Fiscal Year Ended June 30	Governmental Activities				Debt to Assessed Value	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	C.O.P.'s and Installment Financing	G.O. C.P. B.A.N.'s	Total Governmental Activities			
1997	\$ 58,945,679	\$ 12,935,000	\$ -	\$ 71,880,679	1.45%	3.1%	\$ 684
1998	54,821,930	12,140,762	-	66,962,692	1.23%	2.6%	610
1999	50,752,763	11,305,238	-	62,058,001	1.06%	2.2%	541
2000	77,103,990	10,427,097	-	87,531,087	1.39%	2.8%	725
2001	128,459,837	9,499,940	-	137,959,777	1.56%	4.0%	1,098
2002	122,001,614	8,527,300	-	130,528,914	1.38%	3.7%	990
2003	115,636,279	43,760,000	-	159,396,279	1.57%	4.3%	1,148
2004	109,950,837	41,906,170	21,230,000	173,087,007	1.61%	4.3%	1,196
2005	245,255,314	39,653,898	-	284,909,212	2.13%	n/a	1,876
2006	233,801,707	37,376,626	13,495,000	284,673,333	1.95%	n/a	1,764

Fiscal Year Ended June 30	Business-Type Activities				Total Primary Government		
	General Obligation Bonds	Revenue Bonds	Other Long-term Obligations	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income	Debt Per Capita
1997	\$ 34,407,921	\$ 20,955,000	\$ 5,372,221	\$ 60,735,142	\$ 132,615,821	5.8%	\$ 1,262
1998	32,266,570	20,560,000	5,532,544	58,359,114	125,321,806	4.9%	1,141
1999	30,073,937	20,150,000	4,983,086	55,207,023	117,265,024	4.1%	1,022
2000	28,078,510	19,720,000	4,668,651	52,467,161	139,998,248	4.4%	1,160
2001	25,880,364	19,275,000	4,343,165	49,498,529	187,458,306	5.4%	1,492
2002	22,992,386	18,805,000	3,982,892	45,780,278	176,309,192	5.1%	1,337
2003	20,011,722	54,065,000	3,627,714	77,704,436	237,100,715	6.4%	1,708
2004	17,185,963	52,550,000	3,257,689	72,993,652	246,080,659	6.1%	1,700
2005	14,213,986	50,980,000	2,879,159	68,073,145	352,982,357	n/a	2,325
2006	11,522,693	49,370,000	2,570,663	63,463,356	348,136,689	n/a	2,158

Union County, North Carolina
Legal Debt Margin Information
 Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Assessed value of taxable property (in 000's)	\$ 4,965,080	\$ 5,445,525	\$ 5,837,284	\$ 6,308,030
	<u>x .08</u>	<u>x .08</u>	<u>x .08</u>	<u>x .08</u>
Debt limit - 8 percent of assessed value	<u>397,206,427</u>	<u>435,641,974</u>	<u>466,982,696</u>	<u>504,642,380</u>
Gross debt				
General obligation debt	93,353,600	87,088,500	80,826,700	105,182,500
Bond anticipation notes	-	-	-	-
Authorized and unissued	-	-	56,750,000	26,700,000
Certificates of Participation	6,385,000	6,110,000	5,820,000	5,515,000
Installment Financing	6,550,000	6,030,762	5,485,238	4,912,097
NC Clean Water Revolving Loan	4,447,497	4,673,933	4,206,539	3,972,842
	<u>110,736,097</u>	<u>103,903,195</u>	<u>153,088,477</u>	<u>146,282,439</u>
Less: Water bonds issued and outstanding	(23,066,407)	(21,606,296)	(20,113,312)	(18,888,920)
Sewer bonds issued and outstanding	(11,341,514)	(10,660,274)	(9,960,625)	(9,189,590)
NC Clean Water Revolving Loan	(4,447,497)	(4,673,933)	(4,206,539)	(3,972,842)
Amount held in sinking fund	(675,344)	(807,050)	(682,997)	(707,907)
	<u>(39,530,762)</u>	<u>(37,747,553)</u>	<u>(34,963,473)</u>	<u>(32,759,259)</u>
Total amount of debt applicable to debt limit	<u>71,205,335</u>	<u>66,155,642</u>	<u>118,125,004</u>	<u>113,523,180</u>
Legal debt margin	<u>\$ 326,001,092</u>	<u>\$ 369,486,332</u>	<u>\$ 348,857,692</u>	<u>\$ 391,119,200</u>
Legal debt margin as a percentage of the debt limit	82.07%	84.81%	74.70%	77.50%

Table 12

2001	2002	2003	2004	2005	2006
\$ 8,863,213	\$ 9,477,687	\$ 10,169,868	\$ 10,770,780	\$ 13,403,624	\$ 14,635,943
x .08					
<u>709,057,045</u>	<u>758,214,956</u>	<u>813,589,404</u>	<u>861,662,385</u>	<u>1,072,289,950</u>	<u>1,170,875,447</u>
154,340,201	144,994,000	135,648,001	127,136,800	259,469,300	245,324,400
-	-	-	21,230,000	-	13,495,000
25,000,000	25,000,000	95,000,000	180,000,000	110,730,000	97,235,000
5,190,000	4,850,000	43,760,000	41,600,000	39,410,000	37,195,000
4,309,940	3,677,300	-	306,170	243,898	181,626
3,739,146	3,505,451	3,271,753	3,038,056	2,804,360	2,570,663
<u>192,579,287</u>	<u>182,026,751</u>	<u>277,679,754</u>	<u>373,311,026</u>	<u>412,657,558</u>	<u>396,001,689</u>
(17,470,081)	(15,497,634)	(13,435,013)	(11,378,036)	(9,308,774)	(7,332,405)
(8,410,283)	(7,494,752)	(6,576,709)	(5,807,927)	(4,905,212)	(4,190,288)
(3,739,146)	(3,505,451)	(3,271,753)	(3,038,056)	(2,804,360)	(2,570,663)
(681,999)	(676,269)	-	-	-	-
<u>(30,301,509)</u>	<u>(27,174,106)</u>	<u>(23,283,475)</u>	<u>(20,224,019)</u>	<u>(17,018,346)</u>	<u>(14,093,356)</u>
162,277,778	154,852,645	254,396,279	353,087,007	395,639,212	381,908,333
<u>\$ 546,779,267</u>	<u>\$ 603,362,311</u>	<u>\$ 559,193,125</u>	<u>\$ 508,575,378</u>	<u>\$ 676,650,738</u>	<u>\$ 788,967,114</u>
77.11%	79.58%	68.73%	59.02%	63.10%	67.38%

Union County, North Carolina
Pledged Revenue Coverage per Revenue Bond Indenture
Water and Sewer Bonds
Last Ten Fiscal Years

Fiscal Year Ended June 30	Revenues	Current Expenses	Net Revenues Available for Debt Service	Adjusted Net Revenues Available for Debt Service		Senior Debt Service
1997	\$ 13,759,444	\$ 4,634,494	\$ 9,124,950	\$	9,124,950	\$ -
1998	15,389,469	4,800,140	10,589,329		10,589,329	-
1999	17,985,711	5,299,890	12,685,821		12,685,821	-
2000	19,270,388	6,572,349	12,698,039		12,698,039	1,965,043
2001	19,838,079	7,501,632	12,336,447		12,336,447	1,948,307
2002	17,761,343	9,274,368	8,486,975		8,486,975	1,940,229
				20% Preceding Year's Surplus		
2003	26,044,846	9,414,336	16,630,510	\$ 5,738,188	22,368,698	1,506,033
2004	23,087,628	9,838,861	13,248,767	6,860,065	20,108,832	3,412,226
2005	28,258,770	10,426,862	17,831,908	5,261,847	23,093,755	3,487,927
2006	38,155,925	14,310,599	23,845,326	5,193,627	29,038,953	3,416,213

Notes: FY1997 through FY2002

Revenues and Current Expenses are defined terms described in the General Trust Indenture dated May 1, 1996.
Senior Debt Service is comprised of Bonds (as defined in the Indenture) issued pursuant to the Indenture and a Loan Agreement with the State of North Carolina.
Beginning FY2000, Total Debt Service is comprised of Bonds, General Obligation Indebtedness (as defined in the Indenture) plus 1.20 times the Principal and Interest Requirements of the Bonds.
Revenues, Current Expenses, Total Debt Service, and Coverage of Total Debt Service Requirements are not calculated based on the definitions as contained in the General Trust Indenture dated May 1, 1996.
Beginning in FY2000, the County identified the Senior Debt Service component within Total Debt Service.

Union County, North Carolina
Pledged Revenue Coverage
Water and Sewer Bonds
Last Ten Fiscal Years

Table 14

Fiscal Year Ended June 30	Revenues	Current Expenses	Net Revenues Available for Debt Service	Revenue Bond Debt Service		Coverage
				Principal	Interest	
1997	\$ 13,759,444	\$ 4,634,494	\$ 9,124,950	\$ 290,000	\$ 1,216,128	6.06
1998	15,389,469	4,800,140	10,589,329	395,000	1,112,430	7.02
1999	17,985,711	5,299,890	12,685,821	410,000	1,096,235	8.42
2000	19,270,388	6,572,349	12,698,039	430,000	1,078,400	8.42
2001	19,838,079	7,501,632	12,336,447	445,000	1,059,050	8.20
2002	17,761,343	9,274,368	8,486,975	470,000	1,038,358	5.63
2003	26,044,846	9,414,336	16,630,510	490,000	1,016,033	11.04
2004	23,087,628	9,838,861	13,248,767	1,515,000	1,897,226	3.88
2005	28,258,770	10,426,862	17,831,908	1,570,000	1,917,927	5.11
2006	38,155,925	14,310,599	23,845,326	1,610,000	1,806,212	6.98

Table 13

<u>Senior Debt Service Coverage</u>	<u>Total Debt Service</u>				<u>Coverage of Total Debt Service Requirements</u>
-	\$ 5,812,268				1.57
-	5,995,767				1.77
-	5,849,266				2.17
6.46	5,060,984				2.51
6.33	4,967,972				2.48
4.37	5,239,371				1.62
		<u>Adj. Total Debt Service + 20% Senior Debt</u>	<u>Coverage Tests</u>		
<u>Subordinate Debt Service</u>			<u>Adj. Net Rev / Adj. Dbt. Svc.</u>	<u>Net Rev / Total Dbt. Svc.</u>	
\$ 4,514,193	6,020,226	\$ 6,321,433	3.54	2.76	
4,320,053	7,732,279	8,414,724	2.39	1.71	
4,136,339	7,624,266	8,306,711	2.78	2.34	
3,704,345	7,120,558	7,803,801	3.72	3.35	

Notes: FY2003 through FY2006

In FY2003, the County issued its 2003 Revenue Bonds and authorized its Series Indenture, Number 2. The Indenture modified certain rate covenants contained in the General Indenture by providing for a two prong test - one test which permits the inclusion of 20% of the balance in the Surplus Fund from the prior fiscal year with other test omitting the Surplus Fund. In FY2003, the State Loan Agreement was subordinated to senior debt service.

Union County, North Carolina
Demographic and Economic Statistics
 Last Ten Fiscal Years

Table 15

Fiscal Year Ended June 30	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)	Retail Sales (5) (thousands of dollars)
1997	105,123	\$ 2,380,487	\$ 21,936	18,838	2.8%	\$ 1,106,300
1998	109,787	2,658,014	23,486	19,646	2.5%	1,109,397
1999	114,780	2,945,043	24,827	20,504	2.1%	1,210,670
2000	120,677	3,288,799	26,170	21,602	3.0%	1,304,253
2001	125,668	3,645,748	27,618	22,875	4.2%	1,370,180
2002	131,852	3,683,222	26,420	24,868	5.3%	1,409,840
2003	138,807	3,890,824	26,651	25,830	5.6%	1,425,656
2004	144,736	4,252,976	27,667	27,031	4.8%	1,458,866
2005	151,847	n/a	n/a	28,815	4.5%	1,537,435
2006	161,338	n/a	n/a	31,580	3.8%	1,099,352

Sources:

- (1) Source: North Carolina State Demographic Unit
- (2) United States Dept of Commerce, Bureau of Economic Analysis
- (3) Amounts for fiscal years 1997-2005 use final ADM estimates provided by the State Board of Education and DPI. The amount shown for the 2006 year is estimated by the School System.
- (4) North Carolina Employment Security Commission
- (5) North Carolina Department of Revenue

The data for the Fiscal Years 1997-2005 in the table above sets forth **gross** retail sales. Beginning July 1, 2005, the North Carolina Department of Revenue began to compile information only for **taxable** retail sales in compliance with the Streamlined Sales Tax Agreement. In North Carolina, certain sales (for example, qualifying food items) are not subject to sales tax.

Union County, North Carolina
Principal Employers
 Current Year

Table 16

June 30, 2006			
Employer	Type of Business	Employees	Rank
Union County Schools	Education and Health Services	1,000+	1
Tyson Farms Inc	Manufacturing	1,000+	2
Union Memorial Medical Center	Education and Health Services	1,000+	3
McGee Brothers Co Inc	Construction	1,000+	4
County of Union	Public Administration	500-999	5
TDY Industries Inc	Manufacturing	500-999	6
Pilgrims Pride Corporation	Manufacturing	500-999	7
Harris Teeter Inc	Trade, Transportation, & Utilities	500-999	8
City of Monroe	Public Administration	500-999	9
Charlotte Pipe & Foundry Company	Manufacturing	500-999	10

Full-time Equivalent Governmental Employees by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental activities:										
General government										
Board of Commissioners	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Central Administration	5.0	5.0	7.0	7.0	6.0	7.0	7.7	7.2	8.2	8.2
Internal Audit	-	-	-	-	-	1.0	1.0	1.0	1.0	1.0
Legal	2.0	2.0	2.0	2.0	2.0	2.0	2.8	2.8	2.8	2.8
Personnel	3.0	3.0	4.0	4.0	5.0	6.0	6.1	6.0	6.0	6.0
Finance	8.0	9.0	9.0	9.0	9.0	10.0	10.0	10.2	9.2	9.2
Tax Administration	39.0	39.0	43.0	43.0	44.0	45.0	45.9	46.2	47.8	51.8
Elections	3.0	4.0	4.0	4.0	4.0	4.0	10.4	10.8	10.9	11.6
Register of Deeds	7.0	9.0	9.0	9.0	9.0	10.0	10.3	11.3	11.3	12.5
Information Systems (and GIS)	6.0	10.0	12.0	11.0	12.0	12.0	12.0	12.0	12.0	11.0
General Services	23.0	7.0	9.0	9.0	11.0	12.0	14.4	13.7	12.7	12.0
Public safety										
Law Enforcement (and AC)	151.0	153.0	153.0	165.0	166.0	174.0	176.6	191.2	217.6	218.7
Communications	20.0	23.5	23.5	23.5	23.5	23.5	21.5	30.4	35.6	45.8
Homeland Security	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0
Fire Services	5.0	4.5	4.5	4.5	4.5	5.5	5.5	6.0	6.0	6.0
Inspection	17.0	22.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0
Economic and physical development										
Planning	5.0	6.0	6.0	6.0	6.0	5.0	5.0	4.0	4.0	4.0
Economic Development	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	-	-
Cooperative Extension	9.0					10.0	10.0	10.0	10.0	12.0
Soil Conservation	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0
Human services										
Public Health	83.0	75.8	75.8	78.8	79.6	84.0	100.8	91.2	93.5	97.5
Social Services	185.0	183.0	184.0	189.0	190.0	177.0	185.3	191.4	191.1	194.1
Transportation and Nutrition	10.0	7.0	7.0	8.0	9.0	11.0	22.2	27.9	28.1	30.0
Veterans' Services	2.0	2.0	2.0	2.0	2.0	2.0	2.5	3.0	3.0	3.0
Cultural and recreational										
Library	29.0	31.0	31.0	32.0	38.0	40.5	55.0	64.2	65.1	64.5
Parks and Recreation	9.0	9.0	12.0	12.0	13.0	14.0	23.6	23.4	23.4	25.4
Sub-total	<u>633.0</u>	<u>616.8</u>	<u>638.8</u>	<u>659.8</u>	<u>674.6</u>	<u>697.5</u>	<u>770.6</u>	<u>805.9</u>	<u>839.3</u>	<u>866.1</u>
Business-type activities:										
Water and Sewer	46.0	54.4	59.9	74.3	77.4	88.4	88.6	89.1	89.1	94.2
Solid Waste	21.0	17.6	17.1	13.8	13.7	13.7	20.4	21.8	21.6	21.6
Stormwater	-	-	-	-	-	-	-	1.3	1.3	1.3
Sub-total	<u>67.0</u>	<u>72.0</u>	<u>77.0</u>	<u>88.0</u>	<u>91.0</u>	<u>102.0</u>	<u>109.0</u>	<u>112.2</u>	<u>112.0</u>	<u>117.1</u>
Total	<u><u>700.0</u></u>	<u><u>688.8</u></u>	<u><u>715.8</u></u>	<u><u>747.8</u></u>	<u><u>765.6</u></u>	<u><u>799.5</u></u>	<u><u>879.6</u></u>	<u><u>918.1</u></u>	<u><u>951.3</u></u>	<u><u>983.2</u></u>

Union County, North Carolina
Operating Indicators by Function/Program
 Last Five Fiscal Years

Table 18

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities:					
General government					
Personnel					
Number of full-time employees	747	743	796	825	844
Number of part-time employees	165	142	145	151	174
Elections					
Number of registered voters	78,643	78,567	82,305	92,313	97,003
Information Systems (and GIS)					
Number of people in system	488	581	814	1,120	n/a
General Services					
Number of vehicle service requests	847	883	877	970	643
Public safety					
Fire Services					
Number of volunteer fire personnel	n/a	485	500	525	610
Inspection					
Number of inspections	3,403	3,529	4,025	4,585	5,100
Human services					
Public Health					
Number of patients	13,284	14,238	14,592	16,171	13,085
Number of visits	30,248	32,061	31,920	32,300	29,779
Social Services					
Number of client visits	n/a	n/a	34,194	34,452	n/a
Transportation and Nutrition					
Number of trips	47,408	54,475	63,996	68,023	73,345
Congregate, home delivered and supplemental meals	96,634	96,622	88,716	81,034	92,491
Veterans' Services					
Number of visitors	2,868	3,363	3,204	3,583	4,096
Number of phone calls	5,686	5,718	5,996	7,841	8,356
Cultural and recreational					
Library					
Number of volumes	181,310	194,105	180,193	214,212	200,740
Education					
Number of licensed employees	1,586	1,543	1,672	2,233	2,455
Number of students	24,149	25,830	27,031	28,815	31,580
Business-type activities:					
Water and Sewer					
Average daily consumption in gallons (in 000's)	6,906	6,621	7,272	7,062	8,870
Number of water service connections	20,844	24,823	26,564	28,922	32,629
Number of sewer service connections	12,173	15,546	17,028	19,246	22,732

Union County, North Carolina
Capital Asset Statistics by Function/Program
 Last Five Fiscal Years

Table 19

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities:					
Tax Administration					
Number of tax parcels	83,173	86,059	85,885	97,078	98,640
Elections					
Number of precincts	n/a	44	46	49	51
Public safety					
Law Enforcement (and AC)					
Number of stations	8	8	8	8	8
Number of patrol units	219	219	236	245	267
Fire Services					
Number of stations-main	18	18	18	18	18
Number of stations-sub	7	7	7	7	7
Cultural and recreational					
Library					
Number of libraries	4	5	5	5	5
Parks and Recreation					
Number of parks	3	3	3	3	3
Number of acres in parks	1,317	1,317	1,317	1,317	1,317
Number of acres in lakes	350	350	350	350	350
Education					
Number of schools	34	34	34	36	40
Number of classrooms	1,560	1,081	1,126	1,201	1,316
Business-type activities:					
Water and Sewer					
Number of fire hydrants	2,415	2,465	2,490	2,530	2,680
Miles of water mains	543	560	585	610	650
Miles of sewer mains	325	330	439	450	465

